were executed in Tehran Monday

night and Tehran Rudio reported

Mujahaddin guerrillas in the

Summary executions reported

Pars quoted Col. Shahabeddin

Javadi, commander of the Iranian

Army's Khorasan 77th Division.

as saying the reported routing of

the Iraqi 7th Division was com-

pleted on Sunday, when the two

major highways to Abadan were

Victory Speech

Col. Javadi made the claim in a

victory speech he delivered at the

town of Shadegan, 60 kilometers

(37 miles) north of Abadan, where

1,500 Iraqi prisoners of war were

paraded before the public, Pars

"Our common enemy is Israel,"

Col. Javadi was quoted as saving

in an address to the Iraqi captives

after the parade. "I hope that we

can fight one day shoulder to

shoulder, under the leadership of

Jerusalem."

lmam Khomeini, to liberate

since the ouster of Mr. Bani-Sadr

southern city of Islahan.

in June now total 1,369.



Energy Secretary James B. Edwards speaking in London.

Edwards Says Saudis Accept U.S. Stockpile

By Joseph Fitchett International Herald Tribune LONDON - As the Reagan ad-

ministration fills the U.S. strategic oil reserve with imports from the soft world oil market. Saudi Arabia has dropped its opposition to the American oil stockpile designed as a buffer during emergencies, Energy Secretary James B. Edwards said Tuesday.

Mr. Edwards said Saudi Arabia's oil minister, Sheikh Ahmed Zaki Yamani, "did not press any vigorous opposition" to the oil reserve in a conversation between the two men Monday in London. Both were attending a meeting of officials and businessmen involved in energy policy.

The strategic reserve, which altimately is to contain enough oil to replace U.S. imports for nearly-six months, would be used in oil-sharing plans among the United States and its allies during a cutoff of

The stockpile is also intended to prevent temporary shortages from creating a panic and driving up prices. Mr. Edwards said at the meeting Monday.

Mr. Edwards said the administration was looking at ways of giving-oil companies tax incentives to belo them maintain oil stocks at comfortable levels. Reuters reportnot expect privately held U.S. stocks to decline below what he regarded as adequate levels this winter, despite a stock drawdown under way because of high storage

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in the past, Saudi Arabia has contended that the U.S. policy was taking advantage of high Saudi oil production to divert oil into the strategic reserve. Some militant countries in the Organization of Petroleum Exporting Countries regard the stockpile as a threat to their ability to raise prices in a

supply crunch. But Mr. Edwards said "it doesn't seem to be a real issue"

with Sheikh Yamani.

U.S. purchases for the oil reserve are running at a half-million barrels a day, he said, and these purchases are helping stabilize the

Sheikh Yamani, who had left the meeting earlier, could not be reached for comment, but he joked in a speech Monday about the U.S. stockpile as a bad investment at current high interest rates.

Pledged to Proceed

Earlier Saudi opposition to the U.S. plan, Arab sources said, was based on two factors: Unfortunate U.S. timing in entering a tight oil market to buy long-term supplies, and U.S. insistence on getting explicit Saudi approval of the U.S. operation.

The Reagan administration has pledged itself to proceed with its plan for a 750-million barrel reserve, which would cost \$4 billion at current oil prices.

The administration's budgetcutting drive will not affect the program, Mr. Edwards said, though the pace might slacken in future years once the stockpile has reached a critical minimum size.

Outlining the American energy policy to 400 delegates at an oil and finance meeting sponsored by the International Herald Tribuneand the U.S. specialist paper The ed from London. He said the did "Vil Daily, Mr. Edwards gave details of administration priorities, including the following:

> Rapid decontrol of natura gas prices. The administration has no intention of imposing a windfall profits tax or a tax on crude oil imports, he said. An end of the U.S. moratorium

> on reprocessing radioactive waste from nuclear power plants. Besides obtaining uranium in this way, he acknowledged when questioned, the U.S. may use some of the plutonium by-product for making nuclear arms, a decision resisted by previous administrations as an example liable to foster nuclear weapons proliferation in other

Talks With Gromyko No Progress Seen

Haig Ends

In N.Y. Meeting

By Don Oberdorfer Washington Past Service NEW YORK — Secretary of State Alexander M. Haig Jr. and Foreign Minister Andrei A. Gromyko have completed the highest-level round of U.S.-Soviet talks of the Page 1981 the Reagan administration with agreement on continuing their dialogue but apparently on very little

The five-hour session Monday night, like a four-hour meeting last Wednesday, was primarily a headto-head meeting of the two ministers without advisers. When it was over, State Department spokesman Dean Fischer said the talks had been "frank, businesslike and serious," but he discouraged any suggestion that substantive progress had been made.

Mr. Fischer did announce that Mr. Haig and Mr. Gromyko planned to continue their talks eary next year, perhaps in Geneva.

The Associated Press reported that Mr. Haig, during an appearance on television, was asked if the talks had led to a reduction of tensions. He replied, "No, I don't think so. I think the period ahead will have to reflect whether or not these discussions will have made a substantial contribution," adding that there were still "a number of issues that divide us."

The possibility of U.S.-Soviet strategic arms limitations was discussed. Mr. Haig said, but he declined to speculate whether there might be formal SALT negotiations next year. He also indicated that he made clear to Mr. Gromyko during both meetings that Soviet intervention in Poland would have "profound and longlasting consequences."

No Invitation

Mr. Gromyko is not being invited to the White House as he was under previous administrations during his annual United Nations visits. The thinking behind such an omission, according to sources, is partly to let Mr. Gromyko know that "business as usual" does not prevail in the Reagan government.

The tentative selection of the Geneva site also means that Mr. Haig is not being invited to Moscow. Thus, the perceptions that the two leaderships have of one another is limited, at the moment, to the musually lengthy and secretive discussions between their foreign ministers here in these opening weeks of the UN General Assem-

Of the session Monday at the Soviet Mission to the UN, all but the final half-hour was a private sins since the downfall of Presi-(Continued on Page 2, Col. 8)



Nightstick-wielding policemen pushed back a crowd of Ayatollah Ruhollah Khomeini supporters during a demonstration in New York after an officer was attacked and beaten to the ground.

Clergyman Is Slain, but Khomeini Says Assassinations 'Revive Islam'

From Agency Dispatches BEIRUT - Another high Iranian clergyman was slain Tuesday Ayatollah Ruhollah Khomeini, leader of the revolutionary government, said the wave of assassinations served to "irrigate the Islamic Republic."

Abdulkarim Hashemi-Nejad, a member of parliament and secretary-general of the roling Islamic Republican Party in northeastern Mashhad, was killed Tuesday by a member of the Mujahaddin leftist guerrilla group who walked up to him after a lecture in Mashhad and set off a hand grenade, the news agency Pars said. His attacker was killed in the blast, it said. It was also reported that a total of 156 dissidents had been executed Sunday night and Monday.

Street Demonstrators On the war front, Iran said Tuesday it was the 7th Iraqi Army

Division that was routed in the surprise offensive that broke Iraq's 1-month-old siege of the Iranian oil-refining city of Abadan. Iraq admits to withdrawing to the west bank of the Karun River bordering return at any time.

Abadan but says its troops could Mr. Hashemi-Nejad was the 107th prominent victim of assasJune. Pars said that demonstrators surged through the streets of Mashhad demanding revenge. Reacting to Mr. Hashemi-Nejad's death in a speech to clergymen broadcast by Tehran Radio, Ayatollah Khomeini said, "If their aim is to undermine Islam,

dent Abolhassan Bani-Sadr in

 A major United Nations rights body has declined to put Iran on its blacklist. Page 2.

these assassinations revive Islam; il leer goal is to destroy the Islamic Republic, these assassinations irrigate the Islamic Republic." The killing occurred as the party

was busy electioneering for Friday's presidential and parliamentary polls, in which Iranians will choose a successor to slain President Mohammed Ali Rajai. As the number of executions in-

creased, Tehran's revolutionary prosecutor, Assadollah Lajverdi said 9-year-old children could be executed if proven enough," but denied that anybody under 17 had ever been put to death by the revolutionary govern-

Mr. Lajverdi denied a charge by the leader of the guerrillas, Massoud Rajavi, who lives in France. that children were being executed at Evin prison, saying the youngest so far was 17 and had been involved in opposition activities.

"Of course even a 9-year-old can be executed if it was proved to the court that he or she is grown enough," Mr. Lajverdi said when asked of reports that girls that young had been shot. "But such a case has not happened yet."

He said in a telephone interview

that 60 other dissidents were executed in the hours after street battles between Mujahaddin guerrillas and Revolutionary Guards Sun-

An official at Evin prison said Tuesday that another 43 dissidents

Reagan Bars Illegal Caribbean Aliens

The Associated Press WASHINGTON - President Reagan ordered the Coast Guard Tuesday to halt the flow of illegal aliens from Haiti and other Caribbean countries into the United

sels carrying such aliens," Mr. Reagan said. He said the entry of illegal aliens is "a serious national

Walesa Chided: Strains Appear At Union Rally By John Darnton proceedings were interrupted nu-New York Times Service

GDANSK - Lech Walesa and other leaders of the Solidarity union were reprimanded by the union Tuesday for acting undernocratically in reaching a compremise with the government carlier this month over the issue of workers' self-management.

The tone of the reprintand was mild, and it was partly offset by another vote at the union's national congress that supported the actions of the leadership during the last year.

Nonetheless, the move pointed up growing dissatisfaction in the middle ranks of Solidarity and confirmed that Mr. Walesa, whose leadership is still above challenge. has offended some chapter leaders with his assertive style.

[Solidarity Tuesday prepared a draft proposal assuring the Soviet Union that it intends to respect Europe's post-World War II balance of power, Reuters reported. The undertaking was written into a program scheduled for debate during the congress.

"Our national consciousness dictates that we respect the balance of forces formed after World War II in Europe and our country's place in that balance," the draft program said. "We want to carry out all changes in the country in a way that will not damage our alliances with the Soviet Unthe deaths by firing squad of 53

Unilateral Decisions

Elections to the chairmanship will be held later in the congress No one here predicts that Mr. Walesa can possibly lose, but there is growing criticism of him for making decisions unilaterally, and there are increasing strains and signs of competition within the leadership.

Mr. Walesa appeared to recognize this in an impassioned speech of self-defense Tuesday when he peered out over the vast half of the Olivia sports arena and exclaimed: "What happened? So many people who were fighting side by side so beautifully are now quarreling.

Mr. Walesa might be handed a militant program that he could not live with, or, conceivably, nught threaten to resign if the congress went against his wishes. Mr. Walesa still has an almost

magical hold over the delegates. There is a noisy stir when he walks into the hall, and he is the only speaker who is not alerted by the congress chairman when his five minutes are up. Tuesday was Mr. Walesa's 38th birthday, and the merous times by delegations of girl scouts or workers that came in to present him with flowers and at one point toss him in the air.

During his speech he admitted that there had been "shortcomings" in the union's decision-making procedures, but he ascribed them to the exigencies of difficult times. Ten million people organized themselves, but after the strike was over, they went home, he said. "Only a few of us remained to think what to do next." no money, no bank account, no

"So we took decisions. We had real authority like the state. OK, so it's true a lot of money was stolen and a lot of machines were lost. I aiways thought you would understand the situation."

'Dictatorship'

It had been, he insisted, a time when a "little bit of dictatorship" was needed to make the tough decisions. But now that there were union statutes and would soon be a full union program, things would be different, he said.

He suggested that his leadership was necessary to balance off the contending forces inside and outside Solidarity. "As long as I am head of this movement, nobody the church, the government KOR, the party - nobody will take over this movement. After the strike, I came to the conclusion that I cannot give the movement to anyone."

A delegate said later privately, "It was a perfect Walesa declaration. No church, no KOR, nobody but me." The remark was atypical, but six months ago no one would have thought to say it.

The decision that upset the delegates was made by four presidium members to offer a compromise to the government on the method of selecting factory managers. By a vote of 348-189, the delegates adopted a statement asserting that the decision was a "violation of the principle of union democracy, since so few people took part in it,

Mr. Walesa voted against the statement, and when it passed he left the hall quickly. The delegates later approved a large vote of considence in the union leadership.

Debt Talks Extended

VIENNA (Reuters) — Talks behind closed doors in Vienna between 21 Western banks and a Polish delegation on deferring repayment of \$2.4 billion of Polish debt were to go into an unscheduled third day Wednesday, banking sources said late Tuesday.

Venezuelan Leader Rómulo Betancourt Dies



Rómulo Betancourt

in Guatire, near Caracas. The son of an accountant and poet, he studied law in Caracas and became involved in activist politics in

Gómez and was imprisoned in February. In April he led an abortive anti-government rebellion, then escaped to Colombia, where he wrote about his prison experi-

Mr. Betancourt was an admitted leftist but also a staunch anti-Communist, a position he attributed to his short membership in the Communist Party in Costa Rica when he was a 22-year-old political refugee. He said belonging to the undemocratic organization was like "a youthful attack of smallpox that left me immune to the dis-

After the death of Gen. Gomez, the young Betancourt, who had been in exile since 1928, returned and lived in hiding from 1937 to 1939, when he was caught and expelled. Allowed to return from Argentina in 1941, he organized Acción Democrática, a non-Communist leftist party. It was defeated in

1928, when he organized a liberal elections in 1941 but joined forces student movement. He took part in with a group of young army offistudent demonstrations against the' cers and on Oct. 18, 1945, overdictatorship of Gen. Juan Vicente threw Gen. Medina Angarita in a coup accompanied by considerable

> A ruling junta was composed of three officers and four civilians. with Mr. Betancourt as president He remained in power until his former schoolteacher, Rómulo Gallegos, a novelist and radical politician, took over on Feb. 15,

(Continued on Page 5, Col. 3)

"The entry of undocumented aliens from the high seas is hereby suspended and shall be prevented by the interdiction of certain ves-

problem detrimental to the inter-

ests of the United States." "A particularly difficult aspect of the problem," he added, "is the continuing illegal migration by sea of large numbers of undocumented aliens into the southeastern United



Shipyard workers hoisting Lech Walesa in a 38th birthday gesture at the Solidarity congress.

INSIDE

post-1945 junta.

Reagan Slippage

A poll finds that President Reagan's grip on U.S. public support appears to be loosening somewhat because of worries over the economic situation. Page 3.

entered it. "The only wealth that I

have left is my honor," he often

Mr. Betancourt began as a revo-

military dictatorships. His ef-

intionary opposed to a succession

forts brought him 18 years in exile.

0 of them after he headed the:

He was born on Feb. 22, 1908,

Stocks Rally

New York stock prices ended broadly higher, continuing Monday's rally. Share prices in London and Tokyo rebounded strongly on the better news from Wall Street, but analysts said they were not certain that the downtrend had exhausted itself. Page 17.

Arab Finance

A special supplement on banking and finance in the Arab world appears on Pages By Michael Getler Washington Post Service

WASHINGTON — The negotiations scheduled to begin in Geneva on Nov. 30 between Washington and Moscow on limiting nuclear arms based in Europe are likely to be the most difficult and complicated in the 20-year history of superpower efforts at controlling atomic

The United States and the Soviet Union approach these talks with vastly different goals, and the weapons involved are smaller, more numerous, more mobile, harder to find and thus harder to count than those that have been the main subject of arms control talks in the last 10

bombers and missile-firing submarines in the 6,000-mile range that could be used to strike at the other's homeland.

During the 1970s, Moscow and Washington

engaged in strategic arms limitation talks that

dealt with limiting the land-based missiles,

European Battlefield But the Geneva talks will deal with theater nuclear forces, or TNF. These are hundreds, even thousands, of medium and intermediaterange missiles and aircraft that can shoot or fly

from a few hundred miles to perhaps 2,500 miles on a battlefield that could cover Europe, including parts of the Soviet Union.

The talks grow out of a NATO decision in December, 1979, to deploy, beginning late in 1983, 572 new U.S.-built Pershing-2 and Cruise

NEWS ANALYSIS

missiles in West Germany, Britain, Italy and possibly Belgium and the Netherlands.

The NATO missiles, with ranges in excess of 1,000 miles, were meant to offset a substantial arsenal of new Soviet SS-20 missiles, with a 2.500-mile-range, that are already in place and targeted on NATO bases. NATO's intention was to make clear that if the Soviet Union attacked Western Europe it would not escape retaliation on its territory by U.S.-controlled weapons from West European bases.

At the same time, many West European leaders, mindful of their political left wings and of irritating the Soviet Union too severely, insisted that the United States also negotiate with Moscow as soon as possible to try to limit such deployments on both sides.

Thus, the United States enters these talks convinced of the need to modernize NATO's arsenal, but with a commitment to talk, while the Russians' priority is to stop the program before the first new U.S. missile is installed.

There are huge obstacles to agreement on what missiles are to be limited, and even yery little agreement about what is to be discussed. For example, Reagan administration officials say they want the initial negotiations limited to the SS-20 and about 350 older SS-4 and SS-5 Soviet intermediate-range missiles and, on the U.S. side, the Pershing-2 and Cruise missiles.

All these are land-based missiles. Moscow's Position

The Russians have about 250 of the triplewarhead SS-20 missiles deployed, but about 75 of these are said to be based in the eastern Soviet Union, presumably aimed at China. But because the \$\$-20 can be moved easily by truck, Washington wants all SS-20s counted in the overall balance of forces targeted on Europe.

Washington has not decided, officials say, how to deal in the talks with the newer Soviet SS-21, SS-22 and SS-23 missiles that may soon be deployed. These missiles have ranges of from 65 to 1,000 miles. Nor has it decided whether to

the control of the co

propose that Moscow's Backfire bomber, with a range of more than 4,300 miles, be included in the theater nuclear force talks or any resumption of SALT discussions.

Moscow's position is that the new NATO deployments are a fundamental effort by the West to up the strategic balance, because the Pershing and Cruise can reach the Soviet Union while the Soviet weapons in the TNF talks cannot reach the United States.

Moscow has already made clear that it does not want the talks limited to land-based missiles. It wants to include all U.S. "forward-based systems," meaning U.S. fighters and bombers based in Europe, Britain and aboard aircraft carriers, on the ground that some of them can reach Soviet territory.

The United States, officials say, is still studying whether such planes would be included. But U.S. officials emphasize that in attempting to set equal, initial ceilings on European-based arms, they are talking about missiles, Furthermore, if the negotiations ever get around to aircraft, the United States is prepared to argue that all Soviet aircraft that can reach Western Europe, including thousands based in Poland, East Germany and Czechoslovakia, should be included in the talks.

European Missile Talks: How to Deal With More and Harder-to-Detect Weapons The United States will also insist that whatever agreements are reached be verifiable. But officials acknowledge that, because these weapons are so small and numerous, this will be more demanding than in any previous arms control agreements. So there is no decision as to

whether on-site inspection will be demanded. Officials say that it is not clear what relation TNF will have to SALT. The Reagan administration will not accept the SALT-2 pact signed in 1979 by former President Jimmy Carter and Soviet President Leonid I. Brezhnev. But officials acknowledge that TNF limits are largely meaningless without limits on strategic weapons because strategic weapons, if there are enough of them, can be used to hit all the theater targets. as well.

The Reagan administration wants the new NATO missiles to be perceived in Western Europe as part of "a seamless web" of U.S. protection that covers conventional forces, theater no clear forces and the big strategic forces, a does not want the TNF talks to heighten/ perception that Moscow is seeking to implay Europe — that the United States is prepari fight a war in Europe that will not encor the American homeland.

Juan Carlos Testimony Sought in Coup Trial

By James Markitam

Art Land Toront Service MADRID - Defense lawvers for some of the officers accused of plotting the failed military coup last February have called upon King Jum Caries I to testify in their court-martial, claiming that the monarch was in favor of the attempted putsch.

In a clearly political maneuver, nine lawyers this week submitted a joint legal declaration that asserts that Gen. Aifonso Armada, one of the accused communicated the

king's wishes to the other plotters. Gen. Armada, a former tutor of the king and well known for his monarchist sentiments, proposed himself to lead an emergency government after rebel Civil Guards seized parliament and the nation's leading politicians on the evening of Feb. 23.

General's Lawyer

But the general's lawyer, Ramon Hermosilla, called the joint declaration "absolutely false," evidently concerned that most of the other 31 officers accused in the case are attempting to heap all blame on

King Juan Carlos is effectively banned by the Spanish constitution from giving evidence in court. By demanding testimony from him and Queen Sofia, the defense lawyers evidently hope to sow lingering doubts that somehow the monarchs were abreast of the

Reacting swiftly after Lt. Col. Antonio Tejero Molina led 288 Civil Guards into parliament, the king, who is commander of the armed forces, rallied other wavering generals and defused the coup. Detailed pretrial testimony, which has been leaked to the press, has disclosed among other things that on Feb. 23 Juan Carlos personally answered telephone calls from several foreign leaders who expressed their support for Spain's endangered democracy.

The Spanish press has reacted angrily to the latest maneuver by the defense lawyers, who appear to want to delay the formal opening of the court-martial well into next year. The liberal Madrid daily El Pais called the lawvers' declaration "grotesque, particularly if one realizes that it was essentially the attitude of the king which succeeded in overcoming the coup and maintaining democracy."

The tactic of blaming Gen. Armada, who was deputy chief of staff of the army, appears to reflect in part differences among the plotters that emerged after the Cortes was seized. Lt. Col. Tejero was deeply angered when Gen. Armada informed him on Feb. 23 that civilian politicians, including Socialists and one Communist. would be included in the proposed emergency government. The rebel Civil Guard leader was in favor of

a military junta. In a separate declaration Col Teiero's lawver maintains that on Jan. 18 Gen. Armada informed some of the plotters of a conversation he had had with the king and queen "in the Pyrenees" in which Juan Carlos had purportedly expressed his lack of confidence in Adolfo Suarez, who resigned as

premier two weeks later. According to this account, Gen. Armada told the assembled soldiers that the king had been considering a possible list of successors to Mr. Suarez, but had found none satisfactory. The king favored a civilian government, according to the Tejero statement while the queen inclined to a "gov-

ernment of soldiers." Gen. Armada has denied meeting with Col. Tejero, and the posture he adopts in the court-martial will importantly affect the attempt of the other plotters to implicate the king. The tack of Gen. Armada's defense seems so far to be that on Feb. 23 he simply attempted to avoid bloodshed in the Cortes

Reagan Calls Free Markets Crucial to World Economy

By Lee Lescaze Washington Past Service

WASHINGTON - President Reagan pledged continuing support for international lending institutions Tuesday in a speech primarily devoted to praise for free market economies.

Speaking to international economists, bankers and finance ministers at the annual meeting of the World Bank and International Monetary Fund, the president gave no details of the American support but stressed the importance to developing nations of private investment as well as international aid.

"The societies which have achieved the most spectacular, broad-based economic progress in the shortest period of time are not the most tightly controlled, nor necessarily the biggest in size, nor the wealthiest in natural sources," Mr. Reagan said.

"No, what unites them all is their willingness to believe in the magic of the marketplace."

Reward Supported

Mr. Reagan said it is a fundamental human ideal "that individual effort deserves economic

Depriving people of reward for their work crushes their spirit, he said. "So let me speak plainly: We cannot have prosperity and successful development without economic freedom. Nor can we preserve our personal and political freedoms without economic free-

Mr. Reagan also told the developing countries that the greatest contribution they can make to development is to put their "own financial and economic house in or-

Receiving his speech coolly, the approximately 2,000 delegates gave the U.S. president only polite

applause at the end of the address. The meeting is being held at a time of dismal economic predictions for many nations. It is also a time when Third World nations are expressing dissatisfaction with aid and development funds being provided by the industrialized powers.

(Continued from Page I)

Haig-Gromyko meeting with only

interpreters present. Nearly three

of the four hours of last Wednes-

day's meeting also consisted of a

for the restricted nature of the

meetings, except to say that the

two men preferred it that way.

Mr. Fischer had no explanation

one-on-one encounter.

The Reagan administration has come under sharp criticism for allowing high interest rates, which foreign officials say have an adverse impact on their own econo-

In his address at the outset of the annual meeting, Mr. Reagan urged other nations to follow the example of his tax- and budgetcutting programs. The United States and other, unnamed, industrialized countries have overspent, overtaxed and overregulated," Mr. Reagan said, "with the result being slow growth and soaring

The president said the United States has provided more than \$130 billion in concessional assistance to other nations in the last three decades. "The American people have proved themselves to be as compassionate and caring as any on earth, and we will remain so." Mr. Reagan said.

He made no pledge to maintain international assistance at any parricular level and said that because of his strong support for the World Bank "we feel a special responsibility to provide constructive suggestions to make it more effec-

Mr. Reagan said he is looking forward to the 22-nation North-South summit in Cancin, Mexico, next month as an opportunity to discuss development problems. His speech, however, appeared designed to lower the expectations of developing countries that he might propose a large-scale new aid development program for the Third

Brandt Urges Talks

BONN (Reuters) — Willy Brandt, former West German chancellor, Tuesday urged world leaders attending next month's North-South summit meeting in Mexico to find the will to begin global negotiations between industrialized and developing countries.

Reagan to Meet Press

WASHINGTON (UPI) - President Reagan will hold his first formal news conference in more than three months Thursday afternoon, a White House aide said Tuesday.

A major part of Monday's meet-

ing concerned bilateral issues such

as trade and economic relations,

which were not covered on

Wednesday, Mr. Fischer also said

that "humanitarian questions," ap-

parently referring to such matters

as the emigration of Soviet Jews,

No Progress Seen in Haig-Gromyko Talks

Another topic in the final meet-U.S. Aide Sees Arms Talks Early in '82

were discussed.

BRUSSELS - A senior U.S. official said Tuesday that Strategic Arms Limitation Talks with the Soviet Union should start in Feb-

mary or March. Eugene Rostow, director of the .U.S. Arms Control and Disarmament Agency, said that the talks would be held in Geneva and be closely coordinated with the U.S.-Soviet negotiations on Europeanbased, medium-range nuclear mis-

siles opening in the same city Nov.

Moscow and Washington negotiated and signed a SALT-2 treaty in 1979, but the agreement has not been ratified by the U.S. Congress. President Reagan wants to start new negotiations for what the United States would prefer to call Strategic Arms Reduction Talks (START).

Mr. Rostow, who briefed the - NATO allies Monday on the

emerging U.S. doctrine on arms control, said at a news conference: "Our aim is to approach the two negotiations together."

The U.S. official said that the dividing line between the two sets of weapons was not clear and not permanent since some Soviet strategic weapons could be used against Western Europe as tactical weapons while, on the other hand some medium-range missiles could be easily transformed into strategic

Romanian Defects to West The Associated Press

DUESSELDORF - A Romanian, Radu Negulescu, has asked for asylum in West Germany, police said Tuesday. Officers said Mr. Negulescu was runner-up in the 1960 European Ping-Pong chaming was the negotiations scheduled to begin in Geneva on Nov. 30 between the two nations on the limitation of medium-range nuclear forces in Europe. The announcement of these talks following Wednesday's meeting was, as expected, the only substantive accomplishment of the Haig-Gromyko encounter.

Even this accomplishment was a highly qualified one, in view of the continuing disagreement between the two sides about the weapons to be included in the negotiations. Last week's announcement said only that the talks would cover "those nuclear arms which were earlier discussed" during informal exchanges between U.S. and Soviet diplomats late last year. At that time, the diplomats disagreed on what weapons systems were to be limited, with the Russians pressing for a more extensive list than the Americans.

"The outcome of the meetings essentially met our expectations, Mr. Fischer said. These expectations, as expressed by U.S. sources in advance, were that the two sides would disagree sharply on everything except the opening of the European missile talks, but that precise understanding of each other's positions could be obtained and the stage set for a continuing

UN Human Rights Panel Decides Not to Place Iran on Its Blacklist high commissioner for human rights. They also crit-

By Iain Guest

International Herald Tribune GENEYA — Despite growing concern that the wave of executions in Iran violates a wide range of international human rights agreements that Tehran has signed, a major United Nations human rights body has declined to place Iran on what is, in effect, the United Nation's human rights blacklist.

The decision was made by the 26-member UN Subcommission on the Prevention of Discrimination and Protection of Minorities, which met here recently. It listed seven countries, including Venezuela and East Germany, but not Iran. Sources say that the subcommissioners from Pakistan and the Soviet Union may have played a key role in ensuring that Iran escaped censure.

Human rights activists here feel that the UN must begin to put pressure on Iran if its human rights machinery is to retain credibility. It has been criticized for being selective and slow to take ac-

"Today's mass executions, after summary justice,

are a major abuse of human rights. The UN simply

cannot ignore it," said Hans Tholen, deputy director of the Geneva-based International Commission of Jurists, an independent agency which com-

plained of killings and torture under the shah. Subcommission resolutions called for the creation of a group on the rights of native peoples, a

icized the regimes in El Salvador and Afghanistan, and deplored, in unusally strong language, the repression against Baha'is in Iran.

But this repression is only one aspect of the current turmoil in Iran, where as many as 2,000 persons are estimated to have been executed. And the impact of the public resolution may be undermined by the fact that the subcommission passed up the chance to firmly condemn these wider rights

U.S. Was on Blacklist

The 26 subcommissioners are meant to be independent of their governments. Their main function is to draw up a list of countries charged, in the UN terminology, with "patterns of gross violations of human rights." This means abuses on such a scale and consistency that the government cannot possibly plead ignorance.

Each year the preliminary list is put together by five of the 26 subcommissioners from thousands of appeals submitted to the United Nations. This and other material is then reviewed by the full subcommission before being passed to the Human Rights Commission, the body which comprises 43 governments, including the United States and the Soviet Union. The process is ponderous, but it carries the full weight of UN disapproval.

In recent years, the subcommission has grown bolder, even putting the United States on the black-. list for the treatment of blacks in jail. This year it has only singled out seven countries: Afghanistan, East Germany, Argentina, Haiti, Paraguay, Utuguay and Venezuela (for the unexplained death of

about 200 Colombian migrant workers last year). Although Iran does not feature on the list, human rights pressure groups here have argued for some time that the Iranian government is, by the employment of tribunals, systematically violating the Universal Declaration of Human Rights, the International Covenant on Civil and Political Rights and the Geneva conventions.

On June 17, 1979, new regulations were adopted by the Iranian Revolutionary Council, tightening up the tribunals.

Palostani's Role

But this left "giaring omissions," according to a report by the International Commission of Junists: no right to confer in private with lawyers before or during a trial, "inadequate time" allowed for preparing for a trial and, most scriously, no right of appeal. All, in the view of the jurists, violate the International Covenant on Civil and Political Rights, which Iran signed in 1975.

Iran has promised the United Nations a new report on how it is applying the covenant and has not demanded exemption from it on the grounds of the current turnoid or the war with line - the son of emergency that has caused Britain, for instance to opt out of much of the covenant in Ulster.

Sources close to the sphoonmission suggest that the most likely reason why Iran escaped consure was political, and that the live-man working group that reviewed the communications, effectively toduced to four by the absence of the Nigerian member, was heavily influenced by its member from Pakistan, Shariffodin Pirzada, who is minister of law and perfermentary affairs in his nation's row.

Pakistan is nearest to Iran in its devotion to islam and such punishment as cutting off the hands of theeves or stoning adulterers to death has already attracted the wrath of human rights acre-

Another influential member of the group in thought to have been Vsevoled Sofmsky of the Soviet Union, the former Soviet ambassador in New Zealand who was expelled last year for allegally helping to finance New Zealand opposition parties.

Mr. Sofinsky is thought to have been thoroughly alarmed when East Germany was put on the black. list last year for impeding freedom of movement thus creating a possible procedent for appeals on behalf of Soviet dissidents.

Dublin's 'Nonsectarian' Plan Stirring Debate

DUBLIN - A national debate on constitutional change appeared certain Tuesday as the country's national newspapers backed Premier Garret FitzGerald's "crusade for a genuine and nonsectarian re-

Mr. FitzGerald's proposals, made during a national radio interview Sunday and fiercely attacked by the main opposition party, call for rescinding the republic's traditional claim to Northern Ireland and legalizing divorce, currently

prohibited by the constitution. The Irish Republic's constitution claims jurisdiction over all of Ireland, including the six counties of Ulster, which remained under British rule when the republic was founded in 1920. Three counties of Ulster became part of the republic in the partition.

'Nonsectarian' State

Mr. FitzGerald said he wanted to create a "genuine and nonsectarian" republic acceptable to

Protestants in the north. The Irish Independent, the country's largest circulation newspaper, said opposition leader and former Premier Charles J Haughey had overreacted in his criticisms of Mr. FitzGerald's pro-

The Irish Times called for "three cheers for FitzGerald" and said Mr. Haughey was "a bit off with his talk of ... giving the unionists [northern Protestants] propa-

ganda to use against us." Meanwhile, the Labor Party, the junior partner in Mr. FitzGerald's coalition, said it would introduce a bill in Parliament to permit di-

'Free Vote' Sought

Labor leader Michael O'Leary said a majority in Parliament would favor such a measure if members were permitted a "free vote" instead of being bound by

strict party lines. Even if Parliament approved the law it would have to be submitted to a popular referendum, which observers said had little chance of

Mr. FitzGerald, in calling for renunciation of Dublin's claim to the north said he would not pursue his claim until he felt there was majority backing for it. Mr. Haughey's angry reaction to the proposal Monday indicated there was little chance of that.

Mr. Haughey's Fianna Fail Party has 80 seats in Parliament to 82 for Mr. FitzGerald's Fine Gael Party, with a handful of independents holding the balance of power.

Soldier Killed in Belfast

BELFAST (AP) - Gunmen believed to be Irish Republican Army guerrillas killed an off-duty soldier of the Ulster Defense Regiment and badly wounded another Tuesday as the men watched workmates playing soccer, police reported.

A police spokesman said at least two gunmen opened up on the men from a car in the Springfield Road district. A passing police pacar chased the auto and rammed it. Three men were arrested and guns seized, police said.

Security forces saturated a district of West Belfast Tuesday after gummen killed one part-time soldier of the Ulster Defense Regiment, a predominantly Protestant unit, and badly wounded another.

Britain's Labor Party Says It Favors Irish Reunification

The Associated Press BRIGHTON, England — Britain's opposition Labor Party adopted a resolution Tuesday advocating the eventual reunification of Northern Ireland with

the Irish Republic. The measure on Northern Ireland was likely to alarm the one million Protestants in the province, who fiercely oppose being merged into a nation dominated by 3.5 million Catholics.

The policy was drawn up by Labor's National Executive last summer and marked a divergence in the traditional bipartisan approach to Northern Ireland by the Labor and Conservative parties.

ence overwheimingly rejected resolutions by delegates who wanted to commit a future Labor government to "immediately beginning" withdrawal of British troops and to the ending of British rule in the

our responsibility," the party chairman, Alex Kitson,

told the delegates. Mr. Kitson was cheered when he said Labor, like the Conservatives, rejected granting political status to jailed guerrillas of the Irish Republican Army. Tenof the nationalists are on hunger strikes at Maze pris-

But the 1,200 delegates to Labor's annual confer-A plant official discovered late Sunday that drawings used to label certain crucial pipes in Unit One of the plant as safe from earthquains

"Withdrawal would be a complete abdication of

Canyon, where more than 1,500 demonstrators have been arrested in the on near Belfast.

UN Report Assesses Israel's Nuclear Strength

UNITED NATIONS, N.Y. - Although acknowledging gaps in its information, a UN penci of experts reported Tuesday that Israel was capable of producing nuclear weapons and possessed means of delivering them to Middle East turnets.

In a report submitted by Mr. Waldheim Tuesday to the UN General Assembly, the experts said that on the basis of what is known should Israel's Dimona maclear reactor, "the physical possibility exists" that Israel might already have except weapons-grade material for might several bombs comparable to the bomb dropped by the United States or Nagasaki in 1945.

charged Monday with the murder of a Turkish security with the attempted number of the vice consul, the accused gave think the and home towns and declined to appoint defense lawyers impedit .The identities of the accused seemed likely to be sorted at defense lawyers have been appointed. The prisoners said this would. done later by pro-Armenian groups in Paris.

6,000 on Hunger Strike Protest Spanish Jails

MADRID — Almost 6,000 inmates of Spanish jails were on the strike Tuesday in protest against prison conditions.

The strike, which began on Saturday in Barcelona's Modelo and now involved about a quarter of the country's prison population. Spokesman said.

The strike comes against a background of growing indignation prison conditions. The number of prisoners has more than decision 1977, according to official figures, bringing the total to 5,000 markets the system was built to bandle.

Authorities have acknowledged that the prisoners' demands are form fied, but say the problems cannot be solved overnight.

The Associated Press

dispute. This step is in accord with the French-Mexican statement. Mr. Bertens said the Dutch wanted to prompt a dialogue belief the representative forces to restore democracy and end the civil was Salvador. He underlined that the government still regards the justs the representative of part of the people but added. "We say the govern should talk with the opposition to achieve a common solution will

United Press International MOSCOW - A young Soviet comple and their two sons diving Russian guards into the U.S. Embassy here under cover of a many

not immediately provide any details on the couple or say what

The pair drove out the compound followed by a U.S. car, but in stely behind was a Soviet which with four security guards in a couple were not spotted when they arrived because they came in dethe tail lights of a large week ased for mail.

Unofficial Study Group for Jews Is Reported Barred in Soviet City

By David K. Shipler New York Times Service

JERUSALEM — The Soviet anthorities are reported to have closed an mofficial "Jewish university" in Kharkov and arrested one of its organizers, according to information reaching Soviet emgres in Israel.

The study group, teaching weekend courses in apartments for about 25 children of would-be emigrés, started about a year ago, according to Edith Frankel, director of Hebrew University's Soviet-East European Research Center.

The goal, she said, was to bring students up to levels they would face in Israel. Seven instructors taught chemistry, physics, English, higher mathematics, applied mathematics, Hebrew and Jewish history, she said.

One of the organizers, Alexander Paritsky, was arrested Aug. 28 charged with anti-Soviet

Pakistan-Afghanistan Talks Said to Make No Progress

By Bernard D. Nossiter New York Times Service

UNITED NATIONS, N.Y. — Pakistan and Afghanistan have failed to make progress in indirect negotiations here on the issue of removing Soviet troops from Afghanistan, according to officials close to the talks.

With Secretary-General Kurt Waldheim as the intermediary, the Afghan and Pakistani foreign ministers have been discussing the issue over the last two weeks. But the talks have gone nowhere on matters of substance, according to those involved, it was reported on

Monday. The officials derive some satisfaction from the fact that the indirect negotiations will continue and that Mr. Waldheim's office will remain a channel of communication between the two countries. The

Palestinians Told To Form Regime United Press International

CAIRO - President Anwar Sadat's National Democratic Party urged the Palestinians Tuesday to establish a government-in-exile that would exchange diplomatic recognition with Israel.

The party's congress, meeting for the second day at Cairo University, also condemned "the suspicious moves that aim at serving Soviet interests in the Arab world and Africa." It singled out for attack the "friendship and cooperation" treaty signed by Libya, Ethiopia and South Yemen in

Aden last month. The three-day congress will hear reports by party and government officials on the various aspects of state policy. Mr. Sadat will address the concluding session Wednesday UN spokesman, Rudolf Stajduhar, said, "The talks took place in a constructive spirit."

Officials said, however, that each side held fast to its public position. Afghanistan insists that it cannot consider the departure of Soviet forces until it receives a pledge of noninterference from Pakistan, backed by the major powers. That is taken to mean that Afghanistan wants a promise that Pakistan will not serve as a conduit for arms to insurgents seeking to overthrow the Marxist government in Kabul, backed by 85,000 Soviet

Pakistan contends that a Soviet withdrawal must go hand in hand with any other agreements. Those engaged in the talks believe that the Soviet Union will not pull out its forces until it is certain

dent Babrak Karmal is secure. Not Face to Face

the Afghan government of Presi-

The two foreign ministers — Agha Shahi of Pakistan and Mohammad Dost of Afghanistan - did not meet face to face. Pakistan rejects any step that may be regarded as conferring legitimacy on Mr. Karmal's rule. Instead, Mr. Shahi met with Mr. Waldheim on Sept. 19 and 26. Mr. Dost came to Mr. Waldheim's office on Sept. 23

Mr. Waldheim's special representative, Javier Perez de Cuellar of Peru, will see each of the foreign ministers again separately this Because of the stalemate on the

central issue, the new talks are expected to deal with a politically less charged question, the two million Afghan refugeces now in Pakistan. The Pakistanis want assurances that the refugees will suffer no reprisals if they return

In addition, Mrs. Paritsky told Dina Beilin, an emigré in Israel. that officials had told Kharkov Jews that a trial of "Zionist agents" was coming up soon.

slander, which carries a maximum

penalty of three years in prison

and five of internal exile, she said.

friends in Israel who spoke with

Mr. Paritsky's wife, Polina, by tele-

phone. She and others associated

with the study group said that

eight of Mr. Pantsky's acquain-

tances had been summoned for in-

terrogation and warned that they

would be imprisoned if they sent

any letters of protest to the author-

Word of the arrest was passed to

Mental Illness Suggested

Soviet investigators have apparently suggested that Mr. Paritsky is mentally ill. One investigator is reported by Mr. Paritsky's wife to have cited an essay written for a Soviet school by one of his young daughters. In it she wrote that she had a real motherland and a stepmotherland.

She depicted her real motherland as a sunny place far away that she had never seen, and where a language was spoken that she did not know. Her stepmotherland she said, has given her many nice things such as summer camp and songs, but is not nice because it will not let her go to her real motherland.

The investigator reportedly accused Mr. Paritsky of having written the essay or of having put his daughter up to it. :

Mr. Paritsky, who has been refused an emigration visa, is in his early 40s and has worked as an electronics engineer in underwater acoustics, Mrs. Frankel said, Underwater acoustics has applications in submarine detection, and is regarded as a sensitive research area in the Soviet Union.

5 Arrests in Kiev Reported

MOSCOW (UPI) — Five Jews who were at the Kiev train station en route to lay a wreath at the Babi-Yar memorial to the victims of a Nazi massacre have been arrested. Jewish sources reported Monday. Four of those arrested were sentenced to 15-day jail terms on charges of hooliganism, but the whereabours of the lifth was unknown, the sources said.

The monument erected in 1976 at the massacre size is dedicated to Soviet citizens and POW soldiers and officers of the Soviet Army, but 90 percent of those who were killed there in 1941 are believed to have been Jews.

5 Hijackers Divert Indian Airliner to Pakistan The Associated Press

LAHORE Pakistan - A domestic Indian airliner with 117 persons

WORLD NEWS BRIEFS

aboard was hiracked to Lahore Tuesday by five Indians handishing knives and at least one hand grenade. They demanded \$500,000 and the release of a jailed 500 independ. ence lander and his followers. Pakistani negotiators said the hijecters had set a 10 a.m. Wednesday deadline but had not made clear what would

happen if their ultimatum was not met. Sixty-eight hostages, including all 23 non-Indian passengers, were released after negotiations got under way in the airport lounge. A special Indian plane was scheduled to fly them to New Delhi via Amitta late Tuesday, a Pakistani spokesman said.

London Times, Unions Reach Provisional Pact

United Press International LONDON - Print union leaders reached a provisional agreement Tuesday night that will allow The Times of London and The Smider Times to resume publication and ends the threat of their personness

closure, a union official said. The talks had been described by publisher Rupert Murdoch as the "last chance for common sense to prevail." He threatened in a herchance "ultimatum" to close The Times and its sister publication pecus nently unless there was a quick settlement of a labor dispute at the 196year-old newspaper.

Len Murray, secretary-general of the Trades Unions Congress, asnounced the provisional agreement. Picket lines that had forced cancellation of the daily Times editions will be lifted and printers will return to work Wednesday, Mr. Murray said.

Error, Not Protests, Closes U.S. Nuclear Plant Washington Past Service

SAN LUIS OBISPO, Calif. — The Diablo Canyon nuclear power plant here has halted its controversial start-up operation but not because of anything related to anti-nuclear protesters who have been laying siege to the site. It was more embarrassing than that,

actually were drawings of pipes in Unit Two. As a result, the start-up. operation was halted on Monday. The error means the plant causes operate until the Unit One pipes are checked and approved, which could ake several weeks Earthquake readiness has been the major issue in the battle of Diable

last two weeks. The plant is built over an old earthquake fault.

The panel, composed of two Americans, a Russian, a Canadian and Lebauese, was appointed by Secretary-General Kurt Waldheim in 1986 to examine the "danger of the introduction of nuclear weapons is a Middle East." It concluded that Israel could have possessed ander weapons a decade ago. Israeli authorities have said publicly that de country is capable of producing automic weapons "in a short time," is

have denied that they now had the westons.

Consulate's Attackers Give False Names in Peris

PARIS — France is preparing to try four pro-Armenian grants for last week's attack on the Turkish consulate in Paris but started know who they really are, officials said Tuesday.

Justice sources said that when members of the group seek letter

A Justice Department spokesman said prisoners in 23 jails president Canary Islands to the northern Basque country had refused support demands for a reform of the penal code, an end to overthe and shorter waits for trisis.

Dutch Urge Leftist Role in El Salvador Talks

THE HAGUE — The Dutch government has joined France and Man co in saying the leftist front in El Salvador must be given a partir. negotiating a peaceful return to democracy there. Foreign Ministry spokesman Jan Willem Bertens told reported day: "We now recognize the from as one of the political forces to

Soviet Couple Drive Into U.S. Moscow Embasy

Tuesday, then left after talking to embassy officials. It was the such incident in just over a month. The couple, who appeared to be in their late 20s or early 30s, and hour and 45 minutes inside the embassy compound. U.S. officials

NATO auditorium filled with European journal-

Before the broadcast, one of the authors of the

book was on hand to give the audience back-

ground information on its contents. The official,

who declined to be identified, also refused to say

what previously secret material had been declassi-

fied in the book. The booklet was produced in

response to a request by European defense ministers last March for evidence of Soviet strength.

U.S. booklet had been released to confuse, intimi-

date and misinform public opinion in the West,

[The Soviet Union said Tuesday night that the

duty pay. The bill is now before a

Haig Open to AWACS Accord

WASHINGTON (UPI) — Sec-retary of State Alexander M. Haig

Jr. said Tuesday that he would not

"discount any possibility" for

compromise on the sale of the

AWACS radar planes to Saudi

Arabia, while the the Senate Re-

"modification" might save the

"I hope some way can be found

to take the stress and tension out

of the proposal, through modifica-

tion," Sen. Howard H. Baker of

make the AWACS proposal, if

you'll pardon the expression, fly,"

publican leader suggested

\$8.5-billion arms deal.

Tennessee said.

conference committee.

ists, broadcasters and military officials.

Reuters reported from Moscow.]

Sen. Goldwater says the situa- tra \$400 a month in hazardous

U.S. Defense Secretary Caspar W. Weinberger commented on a chart showing the size of a Soviet tank factory at a news conference Tuesday that was beamed to NATO headquarters

in Brussels. The outline of the plant outline was superimposed on a map of Washington.

U.S. Promotes Book on Soviet Strength

Another U.S. AWACS Problem: Air Force

Cannot Find Enough Officers to Fly Them

tion "is now severe and will wor-

sen," especially if Congress approves the sale of five AWACS

planes to Saudi Arabia and U.S.

officers are dispatched to train the

The controller shortage is

blamed on several things. Part of

it, according to Sen. Goldwater, is

the old problem of keeping highly

skilled people in the armed forces.

As soon as they are trained, "the

electronics people are waiting right

outside the school building with

their hands to grab them at one,

two and three times the pay they

would have received if they stayed

in the service," Sen. Goldwater

Special Problems

But the AWACS crews also have

some special problems. One is the

time that crew members, all sta-

tioned at Tinker Air Force Base in

Oklahoma, have to spend away

Hard feelings also result from

pay differentials on each plane.

Simply put, the officers in the

front of the plane are paid more

than those in the back. Pilots and

navigators in the cockpit get \$306

a month in extra flight pay while

controllers get \$110 in bazardous

that recently by adopting an

amendment to the military pay

bill. Under the amendment, cap-

tains, majors, lieutenant colonels

and colonels with from six to 18 years' experience would get an ex-

The House moved to correct

rom home.

said recently on the Senate floor.

The Associated Press

BRUSSELS — The U.S. Defense Department

went to rare lengths Tuesday to publicize in Eu-

rope its glossy, illustration-packed new booklet on

The booklet, released in Washington at a news

conference by Defense Secretary Caspar W.

Weinberger, has been under study by members of

NATO's 15 national delegations for more than a

week. More copies were handed out here on Tues-

Weinberger's news conference at the Pentagon

was relayed live by close-circuit television to a

In an unusual public relations operation, Mr.

Soviet military strength.

By Bill Peterson

Washington Post Service

lem has crept up almost unnoticed

in the gathering storm over the sale

of AWACS radar planes to Saudi

Arabia: There is a serious shortage

of officers to man the planes the

not find much satisfaction

Air Force officers apparently do

reward in working on one of the

most sophisticated surveillance air-

craft in the world, according to

congressional spokesmen. The

crews find the hours long and the

ficer spends 150 days a year away

from home in places such as Ice-

land, South Korea and Saudi Ara-

acute among experienced weapons

controllers — the captains, majors

and lieutenant colonels who over-

see the high-priced electronic gear

have 379 supervisory personnel to

man its 25 Airborne Warning and

Control Systems planes, but can

muster only 288, according to Sen.

Barry Goldwater, Republican of

The Air Force is required to

The shortage is particularly

Besides, the typical AWACS of-

United States flies.

pay inadequate.

aboard the planes.

WASHINGTON — A new prob-

Poll Indicates Reagan Losing Some Support Because of Economy

By Adam Clymer
New York Times Service

NEW YORK - President Reagan's once solid grip on public support appears to be loosening somewhat because of worries about the economic situation, and his speech calling for more budget cats last week did little or nothing one reverse the slippage, a New York Times-CBS News Poll indi-

The poll suggested that key popplation groups whose support has shifted the most were among those most pessimistic on key economic

The poll also showed resistance to further budget cuts and unhappiness over Mr. Reagan's handling of Social Security. One-fourth of those interviewed said they would plane the president if the economy did not improve. ...

Fifty-three percent said they approved of Mr. Reagan's handlingof his job, while 33 percent disapproved, a level about the same as - ... Politic Pr President Jimmy Carter held four years ago. This was down from 59 percent in the last Times-CBS poll

Policies Disliked

The quarterly poll of 1,479 voting-age Americans found the strongest declines in support among population groups whose backing had seemed most tentative, such as Democrats, young people, the less educated and suburban residents. Mr. Reagan's supporters said they liked him more - विकास के for personal qualities than for his policies, while his critics chiefly disliked his policies.

in the telephone survey, begun early last week and completed Sunday, his handling of foreign policy won the support of 52 percent of those polled, and his policy toward the Soviet Union was backed by 62 percent. While 20 percent of those interviewed called his foreign policy "too aggressive" and 10 percent said it was "too weak," 59 percent said it showed "the right level of firmness." Only 20 percent said they sup-

ported the proposed sale of AWACS radar surveillance airplanes to Saudi Arabia. Thirty-seven percent were opposed to the sale, and 43 percent had no opin-

The 5-percent income tax cut that is to take effect Thursday is not providing much of a lift for Mr. Reagan. A declining percentage of the public said they planned to save or invest, rather than spend, the extra dollars they would get from the tax cut, and there was a strong preference for giving it up rather than making major cuts in Social Security or the military

Cuts Opposed

For example, 64 percent of the public said they would prefer "giving up the tax cut Congress just voted for" to making cuts in military expenditures if those were the only possible ways to balance the budget. Twenty-three percent chose cutting military funds.

By an even heavier margin of 82 to 10 percent, the respondents preferred giving up the fax cut to cutting Social Security. Choosing between cutting the military budget or Social Security, 59 percent said they would cut military funds and 23 percent Social Security.

The black-white difference narrowed a little, with 59 percent of the whites and 14 percent of the blacks approving. In June, 66 percent of the whites and 13 percent of the blacks approved. Forty percent of all those interviewed, and 74 percent of the blacks, said they believed Mr. Reagan displayed "not much" concern about the "needs and problems of poor peo-

Perhaps the most worrisome political implication for Mr. Reagan was that his Thursday night speech had no discernible impact. Previous televised addresses gained more support for his policies and helped him win difficult congressional tests. The poll included hints that the speech may have halted further declines among some groups in the population, but they were quite vague.

Hinckley Attorneys Indicate Insanity Defense Planned

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By Laura A. Kiernan Washington Post Service

WASHINGTON — Lawyers for John W. Hinckley Jr., officially admitting that there is no dispute that their client shot President Reagan and three other people on-March 30, say they will argue that the defendant was insone at the time and should not be held criminally responsible for his acts.

Mr. Hinckley's lawyers also asked Monday for separate trials and separate juries to consider the questions of Mr. Hindkley's actions and mental state if the government does not accept that defense contention.

Mr. Hinckley faces up to life in prison if convicted of all charges in a 13-count indictment

U.S. Navy Jet Crashes

The state of the s

The Associated Press MANILA - A U.S. Navy F-14 omeat crashed in the Arabian Sea while on a routine flight Tuesday after its two-man crew ejected saicly, the Navy said.

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Washington because of extensive

In asking the court to disallow statements that Mr. Hinckley made to law enforcement officials edefense lawyers acknowledged that their client had waived his right to remain silent. But they contended that he was improperly denied access to an attorney after he repeatedly asked to talk with one and was questioned without one pres-

Monday's court filings made it apparent that Mr. Hinckley's trial will focus on his mental state at the time of the shooting and probably will be marked by long and detailed testimony from psychiatrists and psychologists on both

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Foreign Trade

The defense lawyers also asked the court to prohibit the government from using as evidence statements that Mr. Hinckley made to law enforcement officials and psychiatrists after his arrest, and reserved the right to request that proceedings be moved outside

immediately after his arrest, the

Arizona. It is required to have 32 field officers (majors or above), but has only 12. **Few Volunteers**

It has not had much luck finding volunteers, either. When the Air Force put out a call in 1980 for 78 mission commanders with the rank major or higher, there were only

Bill on Telephone System

May Expand Pentagon Role

By Merrill Brown Washington Post Service WASHINGTON — Legislation nearing final Senate action would dramatically shift some of the gov-

ernment's power to regulate the nation's telephone system from the Federal Communications Commission to military agencies, according to industry and government sources. Although the legislation, de-

signed to deregulate the phone industry, would not give the Pentagon a role in setting long-distance rates, the Defense Department powers could have an indirect effect on the quality and cost of telephone service.

The legislation would allow the president, on a Defense Department recommendation, to require a communications company to provide any services, facilities or equipment "to promote the national defense and security or emergency preparedness of the na-No state of emergency would have to be declared. Under current law such powers are generally reserved for wartime.

For example, military officials could order limits on types of equipment companies could sell to consumers if they felt that equipment might harm the national American Telephone & Telegraph network_

Warning in Memo

The acting director of the Systems Evaluation Division of the Federal Emergency Management Agency, A.L. Henrichsen, warned in a memo to the agency's general counsel that if the bill was enacted it would give the Defense Department "statutory authority to impose 'national security' requirements on the telecommunications industry apparently without review except by the courts."

The emergency management agency is charged with handling the civilian response to major em-

.A number of communications experts suggest that the shift of power should be of concern on economic, policy and potentially even civil liberties grounds. They said a stepped-up role for the Defense Department could undermine competition, which helps give consumers alternatives to AT&T for equipment and long-distance services. Some critics of the bill argue that Congress should consider carefully whether it wants

the military involved in decisions affecting the civilian communications network.

"There are significant provisions of the bill which are unduly favorable to the Department of Defense to the potential detriment of the ratepayers," said a policy-maker whose views were typical of those obtained from a dozen communications attorneys, lobbyists and U.S. officials. "It's like a hidden defense budget item. Clearly, there is too much of a shift of power to

the Defense Department. The legislation, a revision of the Communications Act of 1934, is designed to deregulate parts of the industry and free AT&T from legal constraints to compete in unregulated communications markets.

The bill, S. 898, was passed by the Senate Commerce Committee. 16 to 1, more than two months ago, with no debate on the defense sections. It may be considered on the Senate floor as soon as this week and has been expected to gain Senate approval.

Access to System

Pentagon officials are trying to use the legislation to resolve acknowledged management and technological problems that plague the nation's military and emergency communications system.

AT&T competitors are especially concerned about provisions of the bill giving the secretaries of commerce, defense or state the power to block disclosure of construction or operation information submitted to the FCC on the ground that disclosure would be "detrimental to the national defense and security." The FCC would be prohibited from releasing the information without the approval of the president, who would be advised on the matter by

the Pentagon. This provision could undercut the ability of AT&T competitors to learn of technological changes in telephone equipment needed by the companies so they can book their equipment or calls into the Bell System's local telephone network. The Defense Department and AT&T long have maintained a close working relationship that the department says simplifies maintenance and expansion of government communications needs.

But critics note that AT&T provides without charge communications tasks worth millions of dollars for the Defense Department.

U.S. Environmental Agency Cuts Sought as Workload Rises Rapidly

By Philip Shabecoff New York Times Service

WASHINGTON — The Reagan administration is seeking to slash the staff size and operating budget of the Environmental Protection Agency by more than 30 percent during the next two fiscal years, putting in question its ability to carry out the tasks mandated by Congress, according to civil servants in the agency.

The cuts would come at a time when the agency's workload is increasing at a rapid rate because of programs enacted by Congress, in-cluding the new Superfund to clean up hazardous wastes across the country and the broad effort to protect human health from their toxic chemicals, including the cleamp of drinking water.

Byron Nelson, chief spokesman for the environmental agency, who is traveling in the West with EPA administrator Anne M. Gorsuch, was asked Monday about the reported budget and personnel cuts.

"We must emphasize that all of the figures are very preliminary, he said. "The administrator has not signed off on some of them or even seen some of them. He added that "there is still waste within this agency that can be eliminated without impeding progress toward the nation's environmental goals."

Morgan Kinghorn, comptroller of the EPA, stated that the agency had received a notice from the Office of Management and Budget that it was to make the additional 12-percent budget cuts called for by the president last week for the fiscal year starting Thursday. Mr. Kinghorn said he did not know how the cut would be applied or "what further cuts will occur beyond the proposed 12 percent?

Documents provided by officials within the agency indicate that the cutbacks in money and personnel will continue beyond the coming fiscal year. A "decision unit analysis," from Mrs. Gorsuch's office indicates that she is seeking to terminate 3,200 permanent full-time employees in the 1982 and 1983 fiscal years. That would be 30.8 percent of the 1981 agency strength of 10,381. The document also indicates that the agency expects to lose an additional 6 per-

Israeli Anti-Tank Arm

The Associated Press "I believe it's desirable we have certain modifications in the proposal to ensure its passage," he said, adding that he expects a proposal from the administration Wednesday. Despite strong opposition in both houses of Congress, there is "still a chance we can

upper house.

Bern Approves Buying

BERN - The Swiss parliament has approved the purchase of Israeli anti-tank projectiles worth 76 million Swiss francs (\$38 million). The order is part of a 584-million Swiss franc package of antitank weapons voted by the lower house Monday, most of the funds going to replenish the country's stock of U.S.-made Dragon missiles. The package now goes to the

The additional 12-percent budget reduction called for by Mr. Reagan last week for fiscal 1982 would come on top of the 12 percent already trimmed from the agency's operating budget in the first round of cuts.

According to officials in the

agency. Mrs. Gorsuch has now proposed an additional 20-percent cut in the operating budget for the fiscal year beginning Oct. 1, 1982.

Conrad W. Carter, one of the agency's chief budget officers until he resigned six weeks ago, said he had been told by staff officials that the budget office last week projected the operating budget in the 1984 fiscal year would provide spending authority of \$700 million. "That's about half of what

Effect of Inflation

1982," he said.

President Carter asked for in

William Drayton, former assistant administrator and chief budget officer of the EPA under the Carter administration, said that inflation would reduce the agency's spending power by 10 percent in the 1982 fiscal year and an esumated 5 to 10 percent the follow-

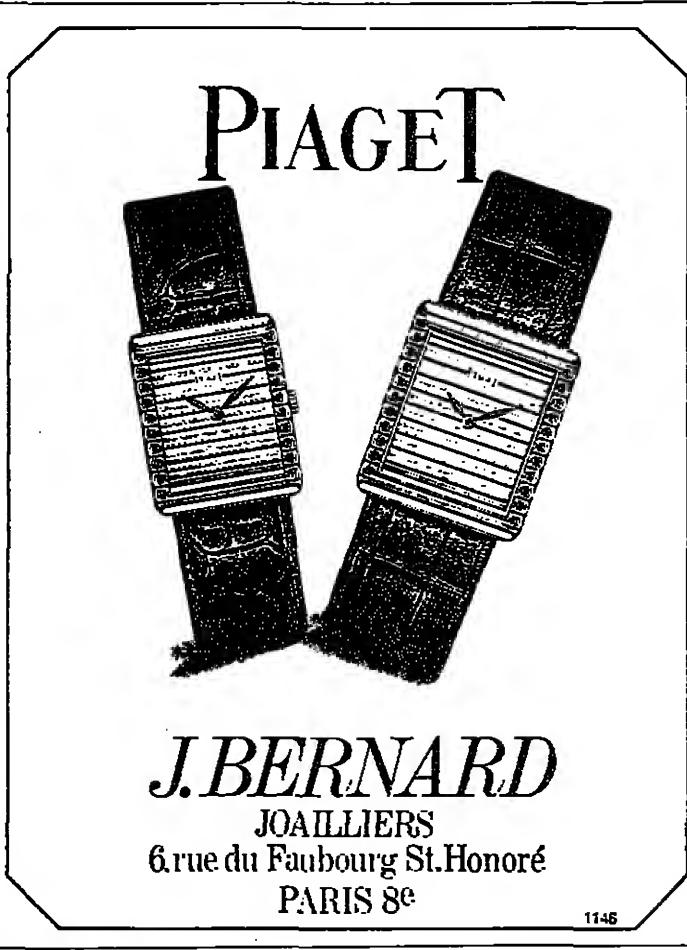
cent of its work force in each year cy will not be able to purchase 60 percent of the staff, research, aid to the state programs and enforcement it previously could," Mr.

Drayton asserted. Also, the workload given the agency by Congress, particularly in the field of regulating chemicals and other toxic substances, wil about double in the early 1980s and perhaps double again before the end of the decade because of the stream of new chemicals entering the marketplace.

Giant Atom Plant Is Built in Russia

MOSCOW - The Soviet Union has completed the first of a new generation of giant nuclear power stations, a 4,000-megawatt plant near Leningrad, Tass reported Tuesday.

The plant, made up of four 1,000-megawatt blocks, had been completed ahead of schedule and was already producing electricity at full capacity, the agency said. Its output was due to supply a large part of the energy needs of the Leningrad region, it said adding that power would also be di-"In other words, after Reagan's rected to the Baltic republics and first 20 months in office, the agen- exported to Finland.



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Wednesday, September 30, 1981

What the World Bank Is For

The United States persists in treating the World Bank as though it were the competitor of the privately owned commercial banks. The Reagan administration seems to think of World Bank loans to the Third World as simple public subsidies — the international equivalent of welfare — while commercial bank loans represent the desirable discipline of private business. In fact, the genius of the World Bank has been its ability to collaborate with private lenders to supplement their resources, to enforce conditions on loans and to reduce the risks in international banking.

Political reality sharply limits the pressure that a commercial bank — particularly a U.S. bank — can bring to bear on the government of a Third World country with a delinquent loan. It's very easy for governments to raise a cry of imperialism and dollar diplomacy. It's harder for them to bring that kind of accusation against a World Bank delegation that might be made up of, say, two Indian economists and an Argentinian engineer. No loan to the World Bank has ever been defaulted. When the World Bank participates in a development project, it provides a real measure of reassurance to the commercial banks that are also participating. If the United States were to diminish its support for the World Bank, it would not only reduce developing countries' access to concessional — that is, subsidized — credit. It would reduce their access to commercial credit as well.

When Secretary of State Alexander M. Haig Jr. was at the United Nations last week, he spoke as though all but the poorest countries could turn to greater reliance on commercial bank credit. But in most of the rich

countries, financial authorities have begun to caution the commercial banks about the heavy debts of the developing countries. A few days ago Henry Wallich of the Federal Reserve Board pointedly and publicly suggested that it is now necessary to slow down the expansion of those debts. Many Third World countries managed to maintain rapid economic growth through the turbulent 1970s by increasingly heavy dependence on bank credit. That pattern won't survive far into the 1980s. What can the World Bank do to help?

One possibility might be the World Bank's much-debated energy affiliate, and the United States is simply and flatly wrong to try to kill it. The official U.S. view assumes that it's a socialist scheme to displace private initiative. In reality, it's an attempt to get heavy private investment into parts of the world unaccustomed to it and utterly suspicious of it. Most Third World governments fear being cheated by the oil companies. Most oil companies fear nationalization in those countries if their exploration should be successful. By becoming the third partner at the table, the World Bank would offer reassurance to both government and company against exploitation by the other. It's a strategy to accelerate oil exploration in regions where there's very little of it — a point that does not yet appear to have percolated all the way through the administration here in Washington. The World Bank's meeting this week offers the Reagan administration a well-timed-opportunity for closer acquaintance with an indispensable institution.

THE WASHINGTON POST.

Two Faces of AWACS

It is now the view of President Reagan's closest confidant in Congress that "we would be derelict in our security responsibilities" not to maintain at least "joint control" of any AWACS planes sold to Saudi Arabia or, for that matter, even a NATO ally. The problem, says Sen. Paul Laxalt, a Republican from Nevada, is "the matter of face" in the sovereign House of Saud: "They don't want signals to be sent ... that they're incapable of handling that type of equipment by themselves."

The senator is only half right. There is also the matter of face in the White House, which wants to avoid any suggestion that it is unable to deliver, even on a foolish promise. If AWACS planes are so sensitive that they should not pass from U.S. control, why not gratefully acknowledge Congress's reluctance, stop berating the "Israeli lobby" and bring U.S. security concerns to the fore?

The real difficulty with this ill-planned venture is that military security was never the main concern. The Saudis have wanted for years to demonstrate that their oil wealth commands a privileged position in the United States and that they can have it without commitment to U.S. policies or the Egyptian-Israeli peace. And the Pentagon pushed these sales to help write off costly technology and to establish a "presence" where no open base has been allowed.

It may be, as Defense Secretary Caspar Weinberger contends, that "the destruction

of the oil-gathering and loading facilities in Saudi Arabia, or their control by a hostile power, could tip the balance of power in the world." But does he think defending all that can be entrusted to Saudi crews? Gen. David C. Jones, the chairman of the Joint Chiefs, says they would need at least 10 years of training after delivery of the AWACS in 1985. And in any case, AWACS aircraft are no defense against home-grown enemies.

Indeed, if the Saudis feel vulnerable enough to tolerate defense of the oilfields by U.S.-run AWACS planes from 1980 to 1985, they could tolerate them indefinitely. If, on the other hand, collaboration with the United States threatens the royal family's domestic security, who will be fooled by overpainting the planes' insignia and disguising essential Americans as "training crews"?

Saudi face can still be saved by a declaration that these sophisticated battle-management systems are not now available for transfer to any nation. That would be a setback for the administration, but surely preferable to rebuff in the Senate or begging Riyadh to accept a camouflaged U.S. control.

But if face is to be saved by a compromise called "joint control," it had better be thought through more carefully than the original deal. Who will decide when these hybrid crews are committed to battle? If the answer is only an embarrassed hedge, two sovereignties will be at risk.

THE NEW YORK TIMES.

Iran's Firing Squads

The firing squads have been busy in Iran. The number of executions within the past week seems to be approaching several hundred, if the reports in the Tehran press and radio broadcasts are at all accurate. The course of events there is at best difficult to follow; all international news organizations but one, the Agence France-Presse, have been forced out of the country. But it seems obvious that Iran is in the grip of a purge of increasing magnitude. The purge is, equally obviously, the response to the assassinations of government officials — and the executions have not succeeded in ending those attacks.

These fragmentary reports indicate that the guerrilla warfare against the clerical government is coming mainly from the Islamic left, and that it is not limited to covert bombings. There has evidently been open street fighting in many parts of the country. Inevitably, the Kurds have seized the opportunity to reopen their perennial rebellion in the northwest.

The immediate danger is, as always, an even more pervasive civil war leading to the collapse of all central authority in Iran. The struggle between the clerical right and the revolutionary left is already interwoven with the much older, and historically intractable, conflicts of religious sect and ethnic loyalty.

Demographically, the country is a central core of ethnic Persians -- about half the population - surrounded by a rich variety of peoples with other languages, other customs and, very often, other national allegiances. It was held together for a time by the shah's military power. The present role of the army is particularly difficult to assess. It responded more competently to the Iraqi invasion than seemed possible a year ago, enforcing a standstill only a few miles inside the border. But the army's political intentions, if any, and even its capability to exert power within the country, are only question marks.

When the Iraqi invasion began, a great wave of panic swept over the Gulf region. The governments there vary only in degrees of fragility. The combination of great wealth and weak defense forces is not conducive to serenity even in the most peaceful of times. Then the level of anxiety declined around the Gulf as the invasion settled down to a stalemate. But now Tehran's daily announcements of executions indicate that the violence within the country has entered a new stage. It reminds Iran's uneasy neighbors that if the worst happens and civil war becomes general, it can become contagious.

THE WASHINGTON POST.

In the International Edition

Seventy-Five Years Ago September 30, 1906

NEW YORK — A special dispatch from Havana states that Mr. Taft, the secretary of war, is to

assume centrel of Cuba. The U.S. provisional government assumed possession of Cuba this morning, when Mr. Taft's proclamation, declaring himself provisional governor of the island, was formally issued. The proclamation's terms have caused general satisfaction especially on account of the moderate phrases in which it was expressed, its statement that the provisional government is undertaken only on account of the necessities of the situation and its promise that it will be maintained purely to maintain peace, order and public confidence until a permanent government is established.

Fifty Years Ago September 30, 1931

LONDON -- A desperate effort was made here tonight to reach a settlement between Hindus and Moslems before the matter comes up formally again with the sittings of the minorities subcommittee of the Indian round-table conference. Tonight, the Moslems held important conferences among their groups to discuss a proposal said to have been made to them last might. when Gandhi conferred with the Aga Khan and other Moslem leaders. Ma Jinnan, president of the Moslem League, is reported to have threatened him that if the latter does not agree to the Moslem demands he would wreck the roundtable conference by refusing to agree to constitutional provisions demanded by the Hindus.



Japan: Proverbs for the Faceless

By James Day Hodgson

dividual or the plant in which he

You don't encourage go-get-

ting individual job initiative. Per-

sonal assertiveness is apt to be

"disharmonious" and in Japan (as

we have seen) disharmony is

I investigated Japanese unions

and was shocked to find them

working hand in glove with man-

agement to promote higher pro-

Next I examined the Japanese

unemployment rate. Unbelievable

- less than 2 percent. I looked at

their strike record — less than one-

twentieth that of the United

States. Finally, at their retirement

eligibility age -- employees there

actually seek to have it raised, not

the United States. Here I discov-

ion polls, an incredible 80 percent

of Japanese workers reported they

equated with disaster.

ductivity and lower costs.

WASHINGTON — Back in workplace - proved to be invalid in Japan. For example, in Japan I 1974, by a process I still don't fully comprehend, I found myself invited to represent the • You don't promote the most United States in Japan. Henry competent worker; you promote out. the one you hired first. Kissinger, as secretary of state, You don't pay wages accordsent me on my way with an elaborate briefing on the then-current ing to merit or productivity. Wages, in fact, have little relation state of geopolitical affairs. Ringto the productivity of either the in-

ing in my mind as I left his baronial office, however, were his final curious words: "Remember, Ambassador, when you ask the Japanese questions, do not expect answers. You will get only proverbs." Still puzzled by this enigmatic admonition, I set foot on Japanese

shores in mid-1974. In my early months there I waited and listened but nary a proverb did I hear. Late in the year, however, it happened. I was seeking an explanation of the ouster from office of Japan's Premier Tanaka. Japan's vice minister of foreign affairs was my mentor. "Ah yes," the vice minister advised, "Tanaka's ouster might seem puzzling to outsiders, but you see, in Japan, we have this old pro-

"Aha," I thought, "here comes. Kissinger is vindicated!" "We Japanese explain events like this," he went on, "by saying that sticks out gets 'A nail hammered down."

Gets the Picture

Immediately, like a light switched on, I got the picture. In Japan, understatement and modesty are widely admired. The premier had become excessively assertive. Thus, he had to go.

Following Premier Tanaka's departure, a debate ensued over who should succeed him. Two candidates, Mr. Fukuda and Mr. Ohira. began to vie for the job. What started as some quiet maneuvering soon escalated into a real ruckus. The decibel ratings of the discourse mounted daily. Each morning we would awaken and grab the newspaper to see which man might have won the job. Then one morning we awakened to a startling readline:

"Miki Named Premier" Miki? Who was Mr. Miki? What had happened to Mr. Ohira and Mr. Fukuda? I sought out my friend the vice minister for still another consultation.

"You see, we have this old proverb," he began. (Here we go again, I thought) "In Japan," he went on, "we believe that When two men fight, both must be punished.

No further explanation needed. Mr. Fukuda and Mr. Ohira had offended Japanese tradition. They had shattered national harmony with truculent behavior. So each was forced to wait until a later day to lead his nation. These and similar experiences in

my first ambassadorial year drove home to me some striking differences between our two societies. Japan's ancient cultural roots contrast sharply with our mere 200 years as a nation.

One significant difference soon becomes clear. The Japanese are not pluralists. They have developed an acute sense of propriety of form. Not only do they seem to have proverbs for each circumstance; in Japan today there is an appropriate, an explicitly preferred way to do or to say almost everything. Propriety of form plays an almost intimidating role in Japanese life. The closer a Japanese observes this proper form, the better Japanese he is thought to be.

Examine Workplace

Because I had spent most of my career in industrial human relations work. I could hardly wait to examine the Japanese workplace. What I saw I found hard to believe. I had pardonably thought I understood basic workplace principles. Yet quickly I found I still had much to learn. To be more accurate perhaps, I had much to unlearn.

What is an American to think, for instance, when he finds a society where "equal pay for equal work" is neither practiced nor sought? One after another, what I had viewed as "valid" principles --principles common to the U.S.

— of these contrasting patterns, what do we find? In America, we seek to stand

In Japan, they seek to fit in. are not accidents of history. They are the product of our respective cultural heritages.

minister's proverb, "The nail that sticks out gets hammered down" - a perfect proverb for a desireto-fit-in type of society. No comparable proverb exists here in the

verb that illustrates a reward for "standing out" in society? Indeed we do. Inelegant it is:

tween Japan's pounded nail and the U.S. squeaky wheel provides us with a clue to better cultural understanding?

I studied "alienation" in the workplace which, as we know, is often something of a problem in ton Post.

were fully satisfied with their jobs. **Paradoxes**

Confounded by the paradoxes I saw, yet definitely attracted by many of Japan's fundamental values. I set out to learn more about what makes the place tick. For tick it certainly does.

As I came to see it, the vast differences between Japan and the West start with value contrasts that can be traced to the very roots of our respective heritages.

Probably the first and foremost value that underpins Western society is that venerable Judeo-Christian objective of justice — justice for the individual. I found it shocking to find that in Japan individual justice is not a top priority goal. If not justice, then what? Something in many ways almost exactly the opposite — harmony, harmony within the group. Fundamentally our different value sys-

tems pit justice against harmony. How do we Americans seek to achieve justice for ourselves? Mainly through rights created and protected by law. The Bill of Rights, human rights, voting rights, civil rights — as we seek justice for all, America's proud parade of guaranteed rights has become lengthy. When a contingent of Americans feels put upon, just about its first reaction is to de-

mand a set of legislated rights. Goal of Harmony

How, then, do the Japanese seek to achieve their goal of harmony? Certainly not by demanding rights. They do it by emphasizing relations. Through the centuries the Japanese have created a society that is now stitched together in a weblike matrix of mutual obligations and responsibilities. This sightly meshed web interlocks them in an inescapable interdependence. Thus it is that often they prefer to accept a minor injustice to themselves rather than create a disharmonious disturbance. Inconsequence, virtually no one sues anyone else in Japan. They have only one-twentieth as many lawyers per capita as we do in the United States. Recently the Japanese consul

general in New York sought to explain his countrymen's penchant for "togetherness." He traced it back to the joint action often needed to survive in an archipelago buffeted by such frequent natural disasters as earthquakes and typhoons. It is a credible explana-tion. Yet I would add that the low profile for the self that fizvors Buddhist teachings, and the acceptance of benign leadership that is so much a part of Confucian doctrine, provide much of the philosophic underginning needed to support such communal unity. When we examine the end product — the bottom line, if you will

These two quite different goals A final thought recalls the vice

Do we in the West have a pro-

"The squeaky wheel gets the grease. Can it be that the contrast be-

Mr. Hodgson, a former secretary of labor and U.S. ambassador to Japan, is active in a variety of Pacific Rim businesses and associations. He wrote this article for The Washing-

WASHINGTON — The fiscal year is one of those bits of jargon that thrives in its own natural habitat, the corporate report or the agency budget, but is never quite at home in a living-room discussion or barroom bull session.

But in Washington this week, the talk is that the fiscal year starting Thursday, Fiscal Year 1982, will be a year like no other. That, of course, is because the first round of President Reagan's budget and tax cuts becomes effective on Oct. 1: and the effects, both good and ill, can then begin to be

As a journalist, I am in a weak position to tramp on anyone's enthusiasm for something new. Novelty, real or simulated, is the lifeblood of our business. But what strikes me, as we all prepare to enter this new fiscal year and maybe this new era, is the enduring importance of one of the oldest and most basic political rules of them

That rule is: Keep your commit-

Carter as Victim Jimmy Carter fell victim to

disregarding it, as much as he fell victim to inflation, the OPEC oil squeeze and the messed-up Iraman hostage situation. The rap on Mr. Carter, from

politicians who knew him before he came to Washington, was that his handshake was sometimes something less than an ironclad guarantee. He started getting in rouble in this capital when politicians of his own Democratic Party learned, to their chagrin, that he was capable of changing his mind about tax rebates, water projects and national health programs. sometimes without bothering to inform them. By the time he was reneging on things like the neutron bomb deployment and the Iowa debate challenge, the game was up for him.

Extremism in Poland: A No-Win Situation

By Jacek Kalabinski

Jacek Kalabinski is a commentator on Polish radio and president of the Warsaw chapter of the Polish Journalists Union. He wrote this article for The New York Times.

NEW YORK — Since the workers' revolt in Baltic ports in August, 1980, Poles often have been threatened with outside interference in their country's affairs and with the use of force by their own government. But instead of moderating the behavior of the workers, these repeated threats have radicalized them. For instance, Soviet military maneuvers held around Poland at the time of Solidarity's first national congress three weeks ago prompted a defi-ant response: The congress called upon other Eastern European na-tions to set up their own free trade unions, modeled after Solidarity. Without doubt, this unnecessary, risky appeal, which infuriated the governments of neighboring countries, was triggered by what was perceived as the threat posed by the maneuvers.

No Longer Listen

Polish workers no longer listen voen toe government cries Today, most Poles ignore the warnings, or respond aggressively. So many times it has seemed that if this or that thin line were crossed intervention would necessarily follow. But it turned out that the lines were drawn in time rather than space. Now most Poles believe that if things are done slowly enough to give the Russians time to adjust to the faits accomplis, almost anything can be done, and tolerated. This is a risky, not to say dangerous, attitude.

Certainly Poland is today a tormented nation — tormented not only by economic difficulties but even more by political frustration. Both the government and Solidarity are to blame, although in different measures.

The government's original sin was to reconsider the economic and political concessions made to the workers in the Gdansk agreement of August, 1980. The authorities feared that these far-reaching changes in the system would not be acceptable to Poland's neighbors, and they came to feel that any compromise on their part would be regarded as an admission of weakness, a step back under pressure. They decided that the government could regain its credibility only by showing firm, even stubborn resolve. Today, some leaders even hope for a quick rollback of the popular movement; they believe that workers can forget their new demands and return

to the status quo ante. Strike Publicity

The union's reaction to this new toughness in government policy has been increased defiance, more threats to strike strike alerts and warning strikes. Since Solidarity was founded, in August, 1980, however, only one workday per worker has been lost because of strikes, considerably less than in

many Western countries, but certainly with much more publicity. In many cases, strikes have been prevented by mediators, often ad hoc groups of intellectuals or clergymen who made a great effort to save face for the government But

before long it became clear that in spite of the anthorities' wish to appear uncompromising, they could be pressed into making concessions. Indeed, trade-union activists have learned that the government is prepared to compromise only under pressure - and the stronger the pressure, the better the deal

In Political Bind

Thus, the strong-arm tactics designed to strengthen the government's prestige have in fact damaged it further. While the government is busy defending an image of authority, it has little or no time to cope with Poland's real prob-lems. This, in turn, has deepened the public's conviction that the government is doing nothing and that the party only brakes the pro-

cess of renewal. As a result, both sides have turned to more extremist, confrontational tactics. Solidarity's rankand-file members are becoming more radical than their national or regional leaders, more radical even than the former dissidents now active in the union.

On the other side, the Communist Party Congress in July only strengthened the partisans of a "rollback" policy, confirming their authority by a democratic election. Moreover, the newly elected workers in the Central Committee generally come from medium-sized factories in small communities and thus tend to be politically naive and easily manipulated by professional party politicians who favor

the hardliners. Today, both sides are in a political bind. The government perceives that the union wants to take power. Each side blames the other for the deepening political crisis and resulting economic difficulties and tensions.

Miscalculated

The government is convinced that the people are disillusioned by Solidarity, and it hopes to destroy the union's prestige and political power by provoking it into declaring a general strike in impossible circumstances — to make demands that most Poles would not support, at a time when the call would not

be followed. But in this the government has badly miscalculated. Many Poles blame the authorities for what is wrong with the country, and most young professionally and politically active people are firmly behind Lech Walesa's union. No threats can change that. The crus of the problem is the government's failure to understand that a heavyhanded approach has always hardened the stubborn Poles instead of making them more compliant. Nobody can win in such a confrontation, so it must be avoided, in the interests not only of Poland but of its neighbors as well.

Reagan: The Credibility Trap

By David S. Broder

tion — composed of more experienced and tested politicians — had every reason to profit from Mr. Carter's unhappy example. But, increasingly, they too seem to be falling into the same trap, with the same results. And that is more worrisome for the long run than the financial quavers that usher in the new fiscal year.

Test of Faith

The elderly in the United States, to take one example, understood Mr. Reagan to say pretty plainly in his campaign that whatever the financial problems in the Social Security system, he was not going to tamper with the commitments that had been made or the benefits that had been promised. They believed that because he had said in October, 1980, that the "overriding goal" of any Social Security reform must be that "the benefits of those now receiving - or looking forward to receiving - Social Security must be protected."

But twice he has tested that faith by amending the understanding Twice he has proposed delays or reductions in prospective benefits.
Twice he has stirred a hornet's nest of criticism. And twice he has backed off.

More broadly, the president said that there would be certain social "safety-net" programs for the "truly needy" that would be "exempt from cans." But now his budget director, David A. Stockman, says "we can never promise" such exemption for any program. Mr. Stockman also explained

last weekend that the commitments he and others, speaking for the president, made to Republicans in Congress in order to secure their votes for last summer's keystone budget and tax bills were not really commitments either. At a luncheon with reporters, he

said, "People develop expectations, [but] we never made any commitments." Well, that just Mr. Reagan and his administra- won't wash with the Republicans

who were involved and who understood that assurances had been given about the funding of dozens of programs vital to their districts.

What happens when one politician begins to doubt another's word is a swift and sickening destruction of the mutual commitments that are essential to success. Without that mutual trust, government itself becomes impossible and the course of policy unpredict-

People inside an administration get confusing signals from the top and are no longer certain what is the real policy line. The United States saw that last week in the contradictory statements from Cabinet officers and White House aides on school lunch programs and the future of revenue-sharing.

Then the congressmen who have been willing to put their necks on the line for the president retreat to their customary caution, and the chief executive finds himself without the allies he needs to win the battles on Capitol Hill. Something very like that is happening to Mr. Reagan on the new round of budg-

It is not too late to halt the damage. But it is none too early to focus on the risks of reviving the credibility problem that ultimately crippled Jimmy Carter. This threat is a lot more serious to the Reagan administration's future than another month of high interest rates. ©1981, The Washington Past.

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itualia Sweden's Fälldin Facing Political Test Over Economy

This is the first of two articles assessing the political and economic prospects for Sweden and alternatives being presented by the nation's two principal political leaders.

By Axel Krause International Herold Tribune STOCKHOLM — General elections-in Sweden are still a year way, but the two leading contend-- the Centrist premier, Thorbjörn Fälldin, and the Social Democratic leader, Olof Palme have already squared off in what is emerging as one of the most ardent nolitical debates in Sweden since

the end of World War IL On Sept. 14, in a move widely regarded as the opening salvo, Mr. Fälldin devalued the krona by 10 ercent and announced a package measures aimed at strengthening the sagging economy, driving down double-digit inflation and improving the export competitiveness of Swedish products.

"By the action he took, particubrly the devaluation, which we welcomed, he has started the dehate on Sweden's economic future," said Curt G. Olsson, president of Skandinaviska Enskilda Banken, Sweden's leading bank.

The first political test for the package will be the parliamentary debate after legislators return from their present recess on Oct. 6. The government's package will be submitted for a yote several weeks later and it has a fair chance of passing in its present form, according to interviews last week with a dozen leading political, financial and business leaders in Stockholm.

Tobacco Stocks

Sold by U.S.

Medical Group

The Associated Press

CHICAGO - The American

Medical Association has sold

about \$1.4 million in tobacco

stocks, an AMA spokesman

says, reacting to embarrassing

publicity about profits it was

"The publicity from the fact

that the AMA owned stock in

these companies has hurt," the

spokesman said Monday. "All

our work to get people to stop

The stock — in R.J. Rey-

nolds Industries and Philip

Morris, both cigarette produc-

ers - was sold in recent weeks,

the spokesman said. It had

been held by the AMA's physi-

MDs are putting their money

where their mouths are when

they preach to their patients

about the dangers of smoking,"

said Dr. Alan Blum, a Chicago

physician and one of the first

AMA members to raise the is-

"Selling the stock shows that

smoking was lost."

cian-retirement plan.

making from cigarette sales.

The second second

few weeks with our economic pro- als. gram will determine if we non-Socome back. It is one of the most Sweden since the end of World War II," said a close adviser to Mr.

Meantime, Mr. Palme, empha-. sizing a need to preserve Sweden's welfare state concepts and supporting a controversial workers' fund scheme, said in an interview that he intends to lead his party to victory next year and recapture the premiership he lost to Mr. Fälldin in the 1976 elections.

Government measures requiring parliamentary approval include spending cuts totaling several billion dollars annually in farm, military and pension programs. The package also provides for a 3.46percent cut in the value-added tax to brake Sweden's 14-percent and steadily rising inflation.

Mr. Falldin, widely regarded as a thoughtful politician, is slow to react and speak his mind, particularly on economic and foreign policy issues. His critics portray him as a plodder, contrasting him with the quick-witted and internationally minded Palme.

Strong Grip

In an interview in Stockholm last week, Mr. Fälldin gave the impression of a leader determined to fight hard for his job and to maintam a strong grip on the leadership of the nation's main conservative parties, with whom he is governing

By Walter Sullivan

New York Times Service

NEW YORK - Two metallur-

gists at Stanford University, seek-

ing to produce a "superplastic" metal, appear to have stumbled on

the secret of Damascus steel, the

legendary material used by numer-

ous warriors of the past, including

the Crusaders. Its formula had

Analyses of steel by Jeffrey

Wadsworth and Oleg D. Sherby, in

their search for a highly plastic

form, revealed properties almost

identical to those they then found

in Damascus steel, although their

own plastic steel had been pro-

duced through contemporary

The remarkable characteristics

of Damascus steel became known

to Europe when the Crusaders

reached the Middle East, begin-

ning in the 11th century. They discovered that swords of this metal

could split a feather in midair, yet

retain their edge through many a

battle. The swords were easily rec-

ognized by a characteristic watery

or "damask" pattern on their

Through the ages, armorers were

been lost for generations.

methods.

blades.

"How we succeed in the next — his Center Party and the Liber-

"Of course I intend to present cialists can make it politically, or myself for re-election in Septemwhether the Social Democrats ber, 1982, and we hope for the support of the Swedish people regardcrucial tests for conservatives in ing our program for improving the Swedish economy," he said. Pausing between answers that

came through an interpreter, he sketched the broad outlines of his program, described by his advisers as "Reaganomics, Swedish style." "Everyone in this country has realized that we need to make changes ... that we cannot go on with our high [public sector]

spending," Mr. Fälldin said. "We have decided to propose steps which next year will hold back government spending by about 12 billion kronor, and to cut the turnover tax. These and related steps are aimed at keeping an open market economy here in Sweden."

Convincing the Nation

Stressing that he eschews pure classical liberalism, he said the package is aimed at moving Sweden away from established welfare state concepts and practice, but without destroying the system. "We must make improvements in order to keep our socially regulated market economy," he said.

There is agreement among many political and business leaders that Mr. Fälldin and his minority Center-Liberal government are to remain in power and win re-election, they must convince the nation that their conservative approach to reforming welfare state concepts can work.

the secret was lost, and it was nev-

realized that they might be on the

track of the method when a sword

fancier, at one of their presenta-

tions, pointed out that Damascus

steel, like their own product, was

very rich in carbon. This led them

to conduct comparative analyses

of their steels and those of the an-

plastic steel can be shaped into

such complex forms as gears for an

automobile, with minimal need for

machining, leading to major econ-

omies in manufacture. Their re-

search, Mr. Wadsworth said last

week, has shown how to make steel

even more amenable to shaping

A basic requirement is a high

carbon content. Mr. Wadsworth

and Mr. Sherby believe it has to be

from 1 to 2 percent, compared to

only a fraction of 1 percent in ordi-

Damascus blade production seems

to have been forging and hammer-

ing at relatively low temperature

— about 1,700 degrees Fahrenheit.

Another key element in

than the Damascus variety.

When moderately heated, super-

Mr. Wadsworth and Mr. Sherby

er fully rediscovered.

cient weapons.

Among those who hesitate to approve this approach is Gösta Bohman, a former minister of the economy who earlier this year led his Moderate Party out of the three-party governing coalition, but who has continued to support Mr. Fälldin. "Devaluation was an act of courage and I praised the government for it," he said, adding quickly that he had reservations

Defeat Predicted

about cutting the value-added tax.

He said he was not certain the government "can make the necessary savings and still cover costs for our established programs." He did not indicate bow his party will vote later this month. Opinion polls and the media

foresee a return to power by the Social Democrats next autumn, citing divisions among the non-Socialist parties and public frustration with the government's lukewarm approach to lowering topbracket income taxes, fighting ingrowing unemployment, and trimming Sweden's soaring public sector

Many observers, including leading Swedish bankers and independent economists, wonder what specifically Mr. Fälldin has in mind for the future. Some politicians, including non-Socialists, doubt that the program can sucand many businessmen wished the devaluation had been

said Bengt Ryden, who heads the trying," a banker said.

cooled, as by quenching in a fluid.

The secrets of Damascus steel

were shared by armorers in many

parts of the ancient world, notably

in Persia, where some of the finest

specimens were produced. It was

in the quenching that many be-

lieved it acquired magical proper-

ties. According to Dr. Helmut

Nickel, curator of the Arms and

Armor Division of the Metropoli-

tan Museum of Art in New York,

legend had it that the best blades

For eight centuries the Arab

were quenched in "dragon blood."

sword makers succeeded in

concealing their techniques from

competitors, and thus from poster-

ity. Writings found in Asia Minor

say that to temper a Damascus

sword the blade must be heated

until it glows "like the sun rising in

the desert." It then should be

cooled to the color of royal purple

and plunged "into the body of a

muscular slave" so that his

In the ancient accounts there is

more than one reference to such

Business and Social Research Institute, an independent think tank based in Stockholm. "Most people get the same impression."

"But do not be misled, for Mr. Falldin's move now represents a very definite effort to re-establish himself and to show that his government is not paralyzed, as some people think," Mr. Ryden added.

Mr. Fälldin said he was looking forward to discussing strategic issues with U.S. Defense Secretary Caspar W. Weinberger in Stockholm in mid-October, and then to attending the October conference of rich and poor nations in Cancun. Mexico, as the representative of the Nordic countries.

Enjoying Travel

"It has not been publicized widely, but the premier — to our delight — has actually started to enjoy the travel and meeting other top leaders," one of his advisers said, noting that in the past year he has visited China and Kenva and that he plans to visit India in Feb-

Mr. Weinberger's visit will be the first to Sweden by a a U.S. Cabinet member since President Reagan's election. U.S. officials say the visit was scheduled by the Carter administration and there are no major problems between the United States and Sweden.

Political observers in Stockholm said that the publicity could help Mr. Fälldin. "He has a long way to "If his concepts appear loose to go to catch up with Palme on the you, well, that is the way he is," international front, but he is

> veloped and developing nations." on superstition, they may have contributed to the success of the process, as by adding nitrogen to

at Stanford is kept at high temperature for only a few hours. It is quenched to achieve extreme hardness. This process, Mr. Wadsworth said, produces very small carbide Damascus steel. Usually, ductility ness, or vice versa.

of knife-making societies, such as strength would be transferred to The Anvil's Ring, which has 1,500 members, have sought to learn details of the Stanford findings. The research is described in Volume 25 homicidal quenching. Dr. Nickel pointed out that while many of the of Progress in Materials Science, a British publication.

Ancient Steel-Making Secret May Be Cracked

Ancient forging preserved enough carbide (in which three atoms of iron are mated to one of carbon) to give the blades great strength, yet not enough to make them brittle. The large carbide grains gave the blades their typical watery pattern.

The superplastic steel developed shaped during cooling, reheated to moderate temperature for further working, and may then be grains and hence even greater hardness and ductility than in must be forfeited in favor of hard-

Mr. Wadsworth said a number

SPORT OFFICE

Premier Thorbjörn Fälldin

Regarding the controversial idea of a nuclear-free Nordic zone. which neutralist Sweden favors. Mr. Fälldin said "I imagine it will come up" during Mr. Weinberger's visit, but he said he did not intend to push hard for its adoption and considered it an issue better handled by Norway and Denmark, which are NATO members. "We all have a common interest in doing away with nuclear weapons in the whole of Europe, including Communist countries," he also

Concerning the Cancun conference, he said it is "important that we not go into the meetings with unrealistic goals and expectations." But he added that he hoped informal meetings with other leaders "may force all of us to be more active in these matters between de-

Mr. Fälldin said he would welcome an invitation to visit Washington for an official meeting with President Reagan.

Tomorrow: A look at Olof Palme's opposing viewpoins.

U.S. Jets Intercept 2 Soviet Planes United Press Internanonal

United Press International LANGLEY AIR FORCE BASE Va. - For the third time in less than a week, Air Force jets have scrambled and intercepted Soviet reconnaissance planes off the East Coast, the Air Force says.

Two Soviet Tu-95s were met 220 miles (352 kilometers) east of Norfolk, Va., by two F-106 fighter-interceptors from Langley Air Force Base, according to an Air Force report Monday.

A spokesman said "the Soviet aircraft remained over international waters and did not penetrate U.S. air space." He said the incident marked the sixth interception of Soviet aircraft by Langley jets this year and the third incident since Sept. 22.

Commonwealth Faces Fight on Sports Rule

MELBOURNE - New Zealand Prime Minister Robert Muldoon, in a challenge to African leaders. Tuesday demanded that athletes from Commonwealth nations be allowed to decide whether to compete against South Africans. He said New Zealand might pull

out of a 45-nation Commonwealth accord unless the organization agreed that member governments had no obligation to ban sports links with South Africa. Mr. Muldoon issued his chal-

lenge at a press conference two hours after arriving for a Commonwealth summit starting Wednesday. He denied that his refusal to ban

a recent tour of New Zealand by South Africa's Springboks rugby team breached the 1977 Gleneagles agreement which binds Commonwealth states to discourage sports ties with South Africa. He said the agreement called on member governments to take all practical steps to halt such con-

tacts but left it to the athletes to decide whether to play against South Africans. "Providing that is understood, then the Gleneagles agreement can carry on intact," Mr. Muldoon

said. "If that is not understood and accepted, then there will be no Gleneagies agreement as far as New Zealand is concerned." Diplomats said Mr. Muldoon's statement raised the prospect that an open dispute will develop at the eight-day summit, although African states have indicated they are

dropping demands for tougher restrictions on sports competition to isolate South África. Mr. Muldoon, who described the Springboks' tour as a disaster. declined to say how far he would press his challenge if he fails to get a consensus on his interpretation

of the Gleneagles agreement. The agreement, named after the Scottish hotel where it was negotiated during the 1977 Commonwealth summit, is one of a se-

Pope, Ex-Archbishop Meet

CASTEL GANDOLFO, Italy -Pope John Paul II met privately Monday with the former archbishop of Canterbury, Michael Ramsey, and the two had "very cordi-al" talks, the Vatican said.



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ries of international sanctions against South Africa's racial poli-

The two-month Springboks tour of New Zealand, which was marked by violent anti-apartheid demonstrations, ended two weeks

U.S. Tour Ends Quietly

NEW YORK (UPI) - The Springboks rugby team, confronted by anti-apartheid protesters and violence throughout its two-week American tour, quietly boarded a plane Monday and left for Johan-

The 32 team members and four team officials were taken in a chartered bus - out of sight of reporters and potential demonstrators — directly to the plane at Kennedy International Airport. The rest of the flight's 201 passengers had already boarded the South African Airways Boeing



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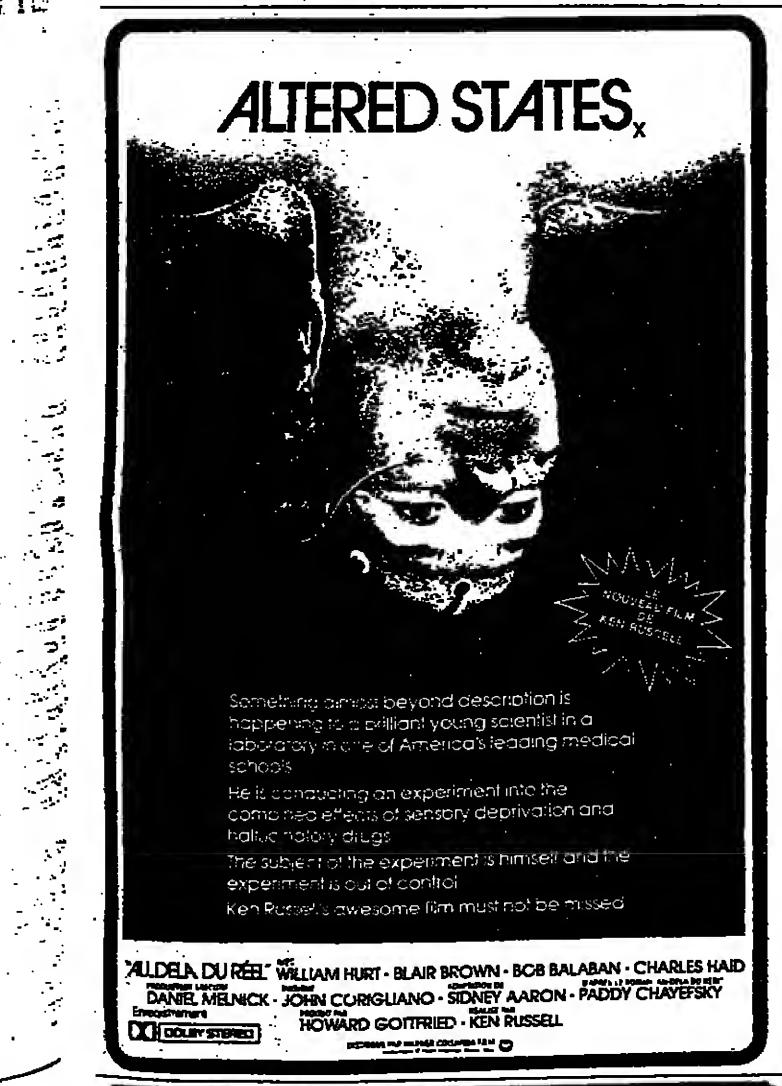
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quenching techniques were based After shaping, the blades were ap-Reporter Quits Over Misstatements

the sword.

ods. With the advent of firearms, same temperature, then rapidly.

Los Angeles Times Service

LOS ANGELES - An Associated Press reporter has resigned after inquiries by the Los Angeles Times disclosed that she had written a story containing misrepresentations and incorrectly attributed quotations that had originally appeared in a West Coast magazine.

Gloria Ohland, 29, a reporter in the AP's Los Angeles bureau since June, 1979, wrote what was purported to be a first-person account of a "banzai run," a high-speed, multicar run down a freeway here at speeds up to 200 miles per hour (360 kilometers

Although she did ride briefly in two high-speed cars, neither car approached 200 mph and a three-car caravan she described in her story did not exist, the Times reported. The Times found that many of the statements attributed to her driver and to a California Highway Patrol officer originally appeared, with much the same

wording, in New West magazine nine months ago.

The AP transmitted the Ohland story twice this month, to newspapers in California and Nevada on Sept. 4 and to papers throughout the rest of the country on Sept. 21.

The AP ran a five-paragraph "corrective" article during the weekend. It said the story "misrepresented the circumstances un-der which it was gathered and contained several inaccurately attributed quotations." An AP executive said Miss Ohland had re-

Rómulo Betancourt Dies; Twice Governed Venezuela

(Continued from Page 1) 1948, after Venezuela's first demo-

cratic elections.

Under Mr. Betancourt, Acción Democrática had begun an energetic reform campaign that includ-ed an excess-profits tax, rent re-ductions, obligatory profit-sharing with employees and the 50-50 formula that gave Venezuela half the profits of the oil companies. Alarmed by the leftward trend and above all by plans to form a "peo-

OBITUARIES

ple's militia," the army staged a new coup in November, and Mr. Betancourt again went into exile. For more than nine years he lived in Washington, New York. Cuba, Costa Rica and Puerto Rico. The Venezuelan press was forbidden to mention his name, but through underground organizations he maintained his influence in politics.

In January. 1958, the armed forces rose against the dictatorship of Gen. Marcos Pérez Jimenez, who had been a member of the 1945 junta. Mr. Betancourt was able to return and reorganize his party, and in presidential elections in December he won with 1,284,092 votes out of a total of 2,610,833. His party won an absohite majority in Congress.

His government successfully put down an army revolt in April, 1960. In June that year he narrow-ly escaped death when a bomb exploded beside his car. In 1964 he yielded office to the newly elected president. Dr. Raul Leoni, who had been labor minister in the Betancourt government. The former president traveled

extensively, spending much of his

time in Bern, so that, he said, there

would be a total break with his in-

fluence in Venezuela and Dr. Leoni could institute his own policies. In 1972 he ended his voluntary exile and returned home to serve as elder statesman and advocate for

Lord Boyle

LEEDS, England (AP) — Lord Boyle, 58, a former education minister and Britain's first leading Conservative Party politician publichy to oppose sporting links with South Africa, died Monday. He was vice chairman of the Fair Cricket Campaign, which organized nonviolent anti-apartheid demonstrations that failed to stop a 1970 tour of Britain by South African cricketers.

Bill Shankly

LIVERPOOL (AP) — Former Liverpool manager Bill Shankly, 67, one of the most successful coaches in English soccer history, died Tuesday after a heart attack. He was in charge of Liverpool for 15 years, retiring in 1974 after guiding the team to three league championships, two FA Cup final triumphs and victory in the UEFA

Dr. George W. Corner BALTIMORE (UPI) — Dr. George W. Corner, 91, whose research into the female reproductive system paved the way for the development of the birth control pill, has died in Huntsville, Ala. the John Hopkins Medical School announced. Dr. Corner and a coworker, Willard M. Allen, were first to identify the hormone progesterone, whose isolation was the basis for later research teams that developed the contraceptive pill.

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France F.F	720.00	360 00	198.00	Morocco (sir)	230.00	115 00	63.00	Yugoslavia (air) \$	230.00	115.00	63 00
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December 31 1981

By Sharon Hamric United Press International

MARTHA'S VINEYARD, Mass. —
Jacqueline Kennedy Onassis has a new \$3.1-million island hideaway on Martha's Vineyard, where she can spend the sum-

mers secluded from the glare of publicity.

Building inspector Zachary Zandler certified the secluded, three-story traditional Cape Cod house, barn and silo "livable" in

"There's no other place like it. The vegetation and the mixture of plants — it's all small scale, almost like a type of bonsai. It has incredible rocks, wildlife and fresh water ponds," Zandler said of the site where Onassis built the cedar-shingled home.

The much-talked-about complex, invisible from the road and the beach, is on Squibnocket Point in Gay Head, a sparsely populated community on the western tip of Martha's Vineyard.

The 10,000 people who live year-round on the island 30 miles (48 kilometers) off the coast of Cape Cod seem indifferent to the arrival of another summertime celebrity. "For us, it's not unusual to see Jackie at the fair or Walter Cronkite on his bike or Carly Simon or Beverly Sills at the A&P," said Chamber of Commerce spokeswoman

Onassis, who spends much of the year in New York, where she works at a publishing house, assured Gay Head's 150 year-round residents that she intended to make her home as unobtrusive as possible. In 1978, she paid the Hornblower family \$1.11 million for the

276 acres (110 hectares) of land. For those who do get a look, the house is worth seeing. Those involved with the project were reluctant to reveal its building costs, but several sources have placed it at more than \$2 million.

The complex consists of a main house, a barnlike guest house, a two-car detached garage and tennis courts. The landscape has been left in its natural state. Cedar shingles cover the sides and roofs of the house, barn and garage, which all have white trim and old-fashioned New England shutters.

The main house has a living room, a family room, five bathrooms, three bedrooms and two fireplaces.

"The view is disguised so that you don't get the full impact of the ocean view until you are in her living room, which is all white - the walls, the floor, the fireplace and even the chimney," Zandler said. The floors are bleached oak. "They have some sort of whitewash on them," he said.

The kitchen is equipped with a 16-burner stove, a pantry, a dishwasher and a laundry area. A mammoth butcher-block chopping table takes up a large part of the kitchen. said Maggie Putnam, a Gay Head resident. "You have to detour around it to get across the room," she said.

All the bathrooms have electrically heated towel bars. "They are stainless steel bars hidden in the wall. The heat comes through the wall and warms the whole towel. The only place that makes them is in New York," said a source who asked not to be named.

The two-story guest house has three skylights, two bedrooms, four bathrooms, a kitchen, a living room and an attached silo. "The guest house was built to look like it was a barn," Zandler said. "The silo is mainly for looks. It has a winding stairway with windows and a reading room at the top."

A wraparound patio adjoins two sides of the main house. The deck furniture is of modern white tubing with blue cushions. Jim Leroux, who owns the dry-wall firm

that worked on the home, described the complex as "a nice addition to the island." "I think it's a nice house and tastefully done," Leroux said. "But now she deserves the privacy she's tried to capture."

Zandler said he never met Onassis but dealt exclusively with Alexander Forger, her trustee and attorney, and Anne Wallace, a Vineyard resident who described herself as "a go-between in the project."

Both stressed Onassis' desire to enjoy her

home in privacy. "She's very happy here and just wants her

own space and privacy," Wallace said. "It's a private house, not a public house, and she wants to keep it that way," Forger said from his New York office.

'Garde à Vue' Is a Classic French Detective Thriller

By Thomas Quinn Curtiss International Herald Tribune DARIS — Set down "Garde à Voe" by Claude Miller as something to see.

Joann Walker.

Cruelly penetrating, neatly maneuvered and commendably acted, it is the best film the French cinema has disgorged in a long while. The shrewd observation of its three principals and the precise handling of the material contain the Gallic salt with which French directors of an earlier and happier day flavored their work. In sombre misanthropy if not in its less ambitious exectution it recalls the Clouzot of "Le Corbeau" and "Les Diaboliques."

This very French product is derived from an American detective novel with the scene shifted to provincial France. On a rainy New Year's Eve, a solid citizen of the town, donning his dinner jacket for a party, is escorted to police headquarters. There he is questioned through the night, being charged with the violation and murder of two little girls.

He is savagely grilled by a dryspoken investigator and his sadistic clerk; his wife - who hates him like a rat hates poison — arrives gratuitously at the station to give unsolicited and fraudulent evidence that she hopes will lead to his beheading. In disgust with everything and everyone, the innocent suspect signs a confession, but is liberated with apologies when the true culprit is apprehended. An O. Henry twist follows, but that you must witness yourself.

The grim tale is vividly told. In essence it is a Grand Guignol shocker aided by some biting lines from Michel Audiard. There is recommendable economy in the exactitude of its staging. Like most talkies it talks too much, but unlike the majority it talks to the point, providing insight to the

There is uncommon skill in the interweaving of a flashback to the home fireside realizing the damning lies that the woman recites against her husband. The whole thing has been done with simplicity and verve and retains suspense during its hour and a half, being mercifully brief and wasting no time on the unnecessary details so often piled on in meandering mov-

Fashion

By Hebe Dorsey

International Herald Tribune

DARIS - It's a skirt, and yet

I it's not a skirt. Call it cu-

lottes, bermudas, knickers or

Leather culottes on street.

Culottes: Split Decision



Lino Ventura (left), Michel Serrault in "Garde à Vue."

Lino Ventura delivers an admirable characterization as the cynical detective, and Michel Serrault gives a glimpse of his range in his persuasive performance as the persecuted suspect. Romy Schneider brings a sinister glitter to the role of the deceitful woman who loaths her mate so implacably, while Guy Marchand etches the mean-minded and inefficient police stenographer into a full-blooded villain.

Both Miller's tant scenario and his direction of it are deserving of high marks. "Garde à Vue" is at Gammont Les Halles and the France-Elysees, among others. It is destined for success at home and abroad.

Francois Truffaut has establish- companied by a dialogue of primi- pression is doubled. ed an international reputation that is sometimes justified and sometimes not. He works more consistently than any other French director, but his work is startlingly inconsistent, now amazingly good and then flabbergastingly feeble. There are things he can do - "Les Quatre Cents Coups," "L'Enfant Sauvage" and his able if not distinguished engineering of "Le Dernier Metro" - and there are things he cannot do at all but tries never-

In his new film, "La Femme d'à Côté" we have him at his worst, having burdened himself with a script that he and his collabora-

whatever, the trend is taking Par-is, Milan, Rome and New York

by storm. Young girls walking

down the Boulevard St. Germain

are all wearing one or another

version of divided skirts that vary

in length from short to very

short, another sign that short

skirts are here to stay. As a mat-

ter of fact, you also see quite a

One of the reasons for the cu-

lottes craze may be that women

of the younger generation have

been living in jeans and pants for

so long, they simply do not know

how to wear skirts any more.

Then, too, sicirts to them are un-

Just as in skirts, there is a great

deal of variety in these culottes.

They can be slim or flared,

cuffed or boulfant, pleated or

gathered. If the girl is slim, she is

likely to wear the skinny, cuffed

type: if she is plump, she will in-

evitably end up with the flared

the trend in October, 1979, when

he did not show a single skirt in

his collection. "I am bored with

skirts," he said at the time. Now

the retailers have caught up. For

Elie Jacobson, owner of

Dorothee bis, "the culotte is the

return of the mini-skirt in dis-

guise." At JNS 3, one of five

shops belonging to Jacques Sam-

son, who has one of the largest

retail operations in Paris, the cu-

lottes are the strongest trend this

season. "We started selling them

a year ago, but we're really cash-

ing in now," he said, standing

betweens rows of all kinds of cu-

lottes, from gold-trimmed paisley

to corduroy and fake suede. The

prices, he said, range from 150

francs to 500 francs (about \$27

to \$90), the best seller being the

cuffed, gray flannel culottes at

390 francs (about 570).

Giorgio Armani was first with

comfortable, bourgeois and

few minis in the street.

tivism seeking to go highbrow. Henri Carcin, a capable comedian, does what he can as the standard complacent cuckold. In due course "La Femme d'à Côté" will be on TV, where it belongs. Temporarily it is at the Concorde Marignon, the UGC Biarritz and the Richeleu-Gaumont, among others. * * *

The almost instant disappearace of Richard Donner's "Inside Moves" is strange enough to merit mention. It came to the Deanville festival heralded by several rave reviews in U.S. newspapers and at the festival received reputable notices from French critics. Yet its first-run release engagement must be one of the shortest on record.

It is an account of a group of handicapped men who gather to converse and play cards in a shabby saloon to forget their miseries, and of a desolate young man, crippled in a suicide attempt, who ioins them and in their company is restored to accepting his lot. The higubrious moods of its first quarter, its doleful setting and maimed people, together with its verbosity, evidently scared off customers. John Savage, a youthful actor of considerable talent, rendered a satisfactory if studied impersonation of the unhappy protagonist and all the other gave the venture unstint-

It is not sufficient as Donner seems to have believed, to suddenly turn on radiant light after an hour of heavy gloom. A situation as depressing as the one treated here requires the voltage of powerful drama to compensate for its tour of the lower depths. Otherwise, as in this instance, the de-

Opera in England

Season Off to Good Start

By Henry Pleasants International Herold Tribune

tors, Suzanne Schiffman and Jean

Aurel, have composed on a theme

utterly beyond his capabilities. Its

soap opera. The publicist of this

sex study has begged reviewers not

to reveal the movie's plot, and this

is judicious advice as there is no

plot as such, merely a situation —

the return of an old flame to bede-

vil her fomer lover now married to

to create a "world-well-lost-for-

love" romance, nor is Fanny Ar-

dant very convincing as the femme

fatale. Gérard Depardieu as the

passion-torn protagonist strives

manfully as he moves from one ri-

diculous episode to another, ac-

Truffaut is simply not the man

What we have here is a tub of

subject is mad passion's havoc.

ONDON - A new opera season is off to a promising start with new productions of "Samson et Dalila" by the Royal Opera at Covent Garden and "Otello" by the English National Opera at the

Much curiosity attended the opening night Monday of Saint-Saens' only surviving opera, as "Samson et Dalila" had not been presented at Covent Garden since 1928, and one wondered whether this Elijah Moshinsky production, with sets and costumes by Sidney Nolan and with Jon Vickers and Shirley Verrett in the title roles, would show the neglect to have

been undeserved. It did, although with the qualification that if the opera is to be restored to the repertoire it had better be with principal protagonists as charismatic vocally, physically and histrionically as Vickers and

Both have sung these roles with great success elsewhere, and both, on this occasion, were in splendid voice and form, Verrett betraying not a trace of the indisposition for

All That Glitter Isn't Di's Dress

The Associated Press TOKYO - For those interested I in royal fashion at a princely price, a Japanese organization has made - at a cost of about

\$435,000 --- a platinum replica of

the wedding dress worn by Diana Princess of Wales. International said Tuesday that it took 30 square meters of platinum foil to reconstruct the gown worn by Diana at her July 29 wedding to Prince Charles. Saji, who noted that Diana's ivory silk taffeta and tulle dress was estimated to have cost \$50,000, said platinum 0.0002

millimeters thick was attached to

thin sheets of handmade Japanese

paper and then sewn together. Kyoto craftsman worked on the material for three months before the ceremony, and on the dress for two months after the design was revealed at the wedding. The copy, which comes equipped with a veil studded with 200 platinum spangles, a platinum-and-diamond uara, a platinum necklace and a platinum bouquet, was put on display at a Tokyo department store and will be shown at jewelry and department stores around Japan in the coming year.

which the audience's indulgence had been craved before the rise of the curtain.

In appearance, movement, pos-ture and attitude, she is the ideal Delilah, and her singing matches the visual projection of the biblical seductress, the voice lacking only the ultimate in opulence and amplitude required to ideally complement Saint-Saëns' luscious orchestral and choral setting. Moshinsky's production is imag-

inative and appropriately colorful, if too cluttered in the last act, and Nolan's sets and costumes are likewise, though a series of surrealistic gauze drops, however praiseworthy simply as paintings, come across as stylistically anachronistic superimpositions on a 19th-century opera. Orchestra and chorus, with Sir Colin Davis conducting, do full justice to Saint-Saëns' Gallic wiz-

Jonathan Miller's production of "Otello" - in English, of course is more problematical, if, on the whole, a thoroughly distinguished accomplishment

Not everyone will applaud an approach suggesting that the opera should have been entitled "lago" rather than "Otello" and subduing the racial element by giving us a swarthy rather than dusky Moor and a brunette rather than blond Desdemona.

But on Miller's own terms it is all skillfully and fluently managed, with spiendid performances by the veteran Charles Craig in the title role, Neil Howlett as Iago and the promising Rosalind Plowright as Desdemona, the latter especially successful in her taxing last act. Keiko Saij of Platinum Guild Mark Elder is a sensitive conductor except for a tendency to let the orchestra overpower the singers at climactic moments.

The single setting, by Miller's long-time collaborators Patrick Robertson and Rosemary Vercoe, is unsatisfactory, looking rather like a do-it-yourself loft fashioned out of kitchen pine, and the English translation is an irritant, not because it is bad, but simply because it is English. "I'll kiss you" for "un bacio" as set by Verdi, for example, won't do.

Shirley Temple Collectibles

United Press International SAN FRANCISCO — Shirley Temple Black has signed an agreement with the Norman Rockwell Museum of Northbrook, Ill., giving it the right to reproduce Shirley Temple film characters and scenes on collector plates and other items.

NYSE Nationwide Trading Closing Prices Sept. 29

Tables include the nationwide prices up to the closing on Wall Street.

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(Continued on Page 18)

Sales regures are unofficial d-New yearly law, u-New Yearly high Unless otherwise noted, rates of dividends in the foregoing lable are annual disbursements based on the last quarterly or sami-onnual declaration. Special or extra dividends or payments not designated as respirer are identified in the following G-Also extra or extrust b-Annual rate plus stock dividend

c-Liquidating dividend. 8-Declared or poid in preceding 12 months. I-Declared or pold ofter stock dividend or spill-up, 1-Poid this year, dividend omitted, deterred or no action taken of last dividend meeting. k-Delcared or paid this year, on accumutative have with dividends in arrears, n-New issue, r-Declored or pold in preceding 12 months plus stock dividend. }-Paid in stock in praceding 12 months, estimated cash value on en dividend or ex-distribution date.

n-Excludend or ex-rights, y-Ex-divisions and soles in full. cid-Called, wal-When distributed, wi-When issued, warwith warrents, xw-Without warrents, xdis-Ex-distribution, ... Willin bankruptcy of faceivership or being reorganized under the Bankruptcy Act, or securities assumed by such compositors.

Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stack dividend amounting to 28 per ceitier more has been paid the year's bigh-low range and dividend are shown for the new stock only.





Banking and Finance

in the line of the second seco A SPECIAL SUPPLEMENT French Leaving

Boards In Region

By Alan Tillier

WINDS of change have blown through the previously close knit world of Franco-Arab banking, where for eleven years or ior French state banks and others have sat around boardroom tables with bankers from Kuwait, Saudi Arabia and elsewhere. The French are now departing from the board-

The first gusts were discernible before the recent radical change of government in Paris, a shift that caused considerable nervousness in the Gulf capitals and which prompted a not inconsiderable withdrawal of funds. Before the French elections in May, the Arab shareholders in the consortium banks had reached the conclusion that they were sufficiently mature to take over.

Presidents Charles de Gaulle and Georges Pompidon, at the start of the 1970s, saw these banks as the commercial expression of the pro-Arab tilt in French policy, following the 1967 Israeli-Egyptian war. The French state banks entered into partnership with the Arabs and for some time ran the

The three major consortium banks — Union des Banques Arabes et Françaises (UBAF), Frab Bank International and Banque Arabe et Internationale d'Investissement (BAII) — are all being pulled toward an Arab position. The change is clear with UBAF and Frab, much less so with BAIL.

Shockwave

This summer has seen some major changes. The decision of Credit Lyonnais the No. 2 French statecontrolled bank, to drop out of the holding company controlling UBAF, sent something of a shockwave through the French banking community well before the much-publicized nationalization of 36 private French banks by the new government.

There followed the Arabization of Frab, where Ste. Generale, the No. 3 French bank, and various international partners hold 50 percent of the capital along with Kuwaiti- and Saudi-dominated Arab interests. The new controlling partner will be the National Bank of Knwait. Out of the consortium, along with Ste. Generale, are Ste. Generale de Banque of Belgium, Swiss Bank Corp., Amro Bank, Industrial Bank of Japan and the National Investment Bank

The Arabization started before the change of regime in France and, ironically, is continuing because of it. UBAF wanted greater Arab control for a long time, while the others are seeking that because the internal political change. The departure of President Valery Giscard d'Estaing frightened Arab rulers and some, such as the Emir of Qatar, withdrew money and dropped plans for joint investment companies

But others decided to reinforce their positions. This will be the case with the Kuwaitis, within Frab, despite the fact that the new Kuwaiti Bank in Paris, which is purely French, is now operating. The French-Arab consortium (Continued on Page 14S)

By Robert Bailey

IN LITTLE more than 18

Arab Banking Corporation (ABC)

has become a major force in inter-

national banking and in recycling

the petrodollar surplus. ABC is a

joint venture by Kuwait, Libya

and Abu Dhabi. It was established

on Jan. 17, 1980, in Bahrain by a

special law (Emiri Decree Law No.

2) as a joint stock company. The

bank, capitalized at \$1 billion, is

Bahrain's biggest offshore banking

unit and operates both as an

offshore bank and a commercial

ABC directors say its creation

was motivated by a desire to

achieve for Arab banks the major

role they deserved in the interna-

tional market. The directors also

said that Arab banks, while they

maintained a presence in the inter-

national market for more than a

decade, were restricted in their ac-

tivities by their capital structure,

which did not allow them to ab-

sorb deposits of a sizable amount.

tal has been paid, with equal con-

tributions coming from Kuwait's Finance Ministry, Libya's Finance

Secretariat and the Abu Dhabi In-

vestment Authority. Chief execu-

tive and president, Abdullah al-

Saudi, said, "Countries which en-

joy a balance of payments surplus

Some \$750 million of ABC capi-

months since its inception,

素多 35 Petrodollar Threat Fails to Materialize

By Shakib Otaqui

THE SCENARIOS of doom that followed the 1973-1974 oil price rises have not materialized.

The world's financial markets have been able to process the enormously increased flow funds, most of which have returned to the countries that paid them in the first place. The growth in financial reserves of the Organization of Petroleum Exporting Countries has stabilized revenue has been constrained by the fall in demand for oil, while expenditure on development has exceeded original estimates of these countries' ability to absorb.

OPEC members' large current-account surpluses virtually disappeared by 1978, when their combined total was only about \$5 billion. They recovered in 1979 and 1980 under the impact of the Iranian revolution but have since declined because of the world oil surplus.

Exact figures are hard to come by. Sources such as the Bank of England, the Bank for International Settlements and the Organization for Economic Cooperation and Development give wildly different estimates; so do reports from such private institutions as banks and oil companies. Estimates for 1979 average out at \$63.5 billion, rising to \$107.3 billion in 1980. Forecasts for 1980 and 1981 vary even more widely but average out at \$85 billion and \$60 billion, respectively.

Eurodollar Markets The dollar has been traditionally the favorite home for OPEC funds. These have not necessarily poured into the United States, as much of the holdings have been placed in the Eurodollar markets. But by the beginning of the 1980s, the dollar had lost some of its attraction, and OPEC fund managers have become increasingly sophisticated in find-

The crunch came with the freezing of Iranian assets during the crisis over the U.S. hostages in 1979, which sent shivers down the spines of OPEC governments. This shock followed the chronic weakness of the dollar in the 1970s. Buying U.S. government securities, a favorite with the Saudis, has been described by a U.S. observer as "buying a piece of our inflation and a piece of our national debt."

ing other outlets.

The shift out of the dollar became evident in 1980, when the Bank of

England estimated the dollar share of OPEC foreign assets to have been 70 percent at the end of June, down from 75 percent at the end of 1979. The trend has accelerated in 1981, when OPEC countries in the first quarter placed only 40 percent of their new deposits with member banks of the Bank for International Settlements in dollars.

This has coincided with a revival of OPEC investment in Japan and other industrial countries. Total OPEC holdings in Japan reached \$25.5 billion in 1980, more than double the 1979 figure. They are expected to soar to \$78 billion by 1985, according to a survey by the Nomura Research Institute. Holdings in West Germany and Switzerland are also rising, as economic difficulties have forced these countries --- which have traditionally been against internationalizing their currencies -- to offer government securities in their own currencies to oil producers.

Different Policies

Contrary to scare stories about the Arabs buying up America — or other countries — OPEC members do not act in concert and have followed some quite different investment policies. The two largest surplus countries — Saudi Arabia and Kuwait — follow notably divergent investment strategies.

The Saudis have been particularly conservative. About 40 percent of their assets are held with foreign banks, with the remainder mostly in government securities; they also have large holdings in commercial paper of top-rated private borrowers. While this approach is politically safe, the Sandis have certainly suffered from the high inflation rates of the late 1970s and early 1980s.

Kuwait, on the other hand, has been much more aggressive in seeking investments with higher yields, and has led other OPEC members in its equity holdings. These have often caused controversy, particularly in the United States, where there have recently been scare stories about the extent of Kuwaiti shareholdings in industrial companies. But, while Kuwait aims for diversification and a good return, its strategy remains conservative and it does not indulge in speculation. In their efforts to diversify away from dependence on the United

(Continued on Page 14S)

GIB: Activity, Profits Showing Sharp Gains

By John Roberts

with banks in other commies for decades to boost trade and service the requirements of particular groups of Arab expatriates. Such links led to the foundation of the Arab-Malaysian bank in Bahrain in 1975, the Bank of Bahrain and Kuwait in 1971, the Banque Libano-Bresilienne in 1962 and the United Bank of Lebanon and Pakistan, founded in 1964.

In the same category are banks that span more than two-countries, such as the Bank of Oman, Bahrain and Kuwait (1974) and the Beirut-based Arab Libyan Tunisian Bank (1973). The trend for establishing such banks started in Beirut, and was adopted by Kuwait

The year 1975 saw the establishment of a different kind of bank. Gulf International Bank (GIB) was formed with shareholdings from seven Arab governments: Bahrain, Iraq, Kuwait, Oman, Oatar, Saudi Arabia and the United Arab Emirates. Each has a 14.286 percent stake in the bank. In 1980, GIB was the most active Arab Bank in lead-managing syndicated loans, handling 20 loans

have been criticized for their nega-

tive attitude toward risk-taking

and their tendency to deposit

funds only with leading interna-

tional banks. These banks, on the

other hand, are continually com-

plaining of having to recycle this

money to the Third World, where

they face more risks. The creation

of ABC can perhaps be seen as the

beginning of a more positive atti-

tude toward the development of

real participation in direct risks."

ABC: Goal Is to Become

The Arab 'Bank of Banks'

totaling \$3.675 billion. It was suffi- Banques Arabes et Francaises d'Investissements Internationaux) world's most active lead-managers.

International Bank

GIB, which styles itself the international bank of the seven Gulf states, was the first of the major state-capitalized banks, and is often considered in juxtaposition to the far newer and more active Arab Banking Corporation (ABC). Whereas GIB's capital was increased in January to a total \$200 million, ABC started off in April, 1980, with an authorized capital of \$1 billion of which \$375 million was fully paid. ABC's paid-up capital was doubled to \$750 million on April 1, 1981.

GIB Chairman Abdulla Saif, in the bank's 1980 report, said the bank had a good year, with profits up sharply to \$12.5 million from \$6.6 million in 1979. In addition to a major increase in loan syndication activity, GIB had increased its involvment in bonding and guarantee facilities for contractors in the Middle East. Its participation in loans geared to infrastructure development also helped GIB improve its penetration of the construction, building materials, transport and light-manufacturing markets.

ABC's growth during the first year of its existence was staggering. In the first half of 1981, it was the most active Arab bank in syndicated loans, handling \$9.541 billion in loans. Its performance supported the theory that it was founded as a result of Kuwaiti disillusionment with the speed of GIB's growth. Having failed to ensure more aggressive policies for GIB, the Kuwaitis then joined up with Libya and the United Arab Emirates, the two other shurehold-

ers in ABC. Whether the story is true has not been confirmed, but certainly ABC's growth has been remarkable. Ironically, the emergence of ABC may have contibuted to a renewed surge of dynamism within GIB. In the first half of 1981, it was the world's 17th most active bank in syndicated loans, according to the Paris-based Caploan International Finance Data, handling loans worth \$6.690 billion.

Consortium Banks

ed in comparing ABC's and GIB's

performance as a category of

as with their performance as osten-

sible rivals. Their management ap-

pears to be much simpler than that

of the conventional consortium

banks which represented the first

The consortium banks have had,

as shareholders, a variety of na-

tional and commercial banks.

They are often characterized by

the complexity of these sharehold-

ings. The Paris-based Union de

phase of pan-Arab banking.

banks - the state-owned banks -

Arab bankers will be as interest-

Market Strength In less than two years, ABC has

clearly displayed strength in the international market Five months after it began, the bank co-managed a \$250 million loan for the Arab Development Bank. In the first half of 1981, ABC rated ninth in the International League Table of lead-managers as drawn up by the Caploan International Financial Data of the United States. ABC was listed as having participated in 34 loans worth \$9.541 bil-

One of the main factors that has assisted ABC's accelerating role in the international market, apart from its high capitalization, has been the composition of its board. All the members are professional bankers and financiers. Mr. al-Saudi is a former chairman of the

(Continued on Page 14S)

Lyonnais holds a straightforward 30-percent share, while other routine shareholdings are held by Banque Française du Commerce Exterieur (8 percent) and Banque Generale du Phenix (2 percent). The largest shareholding, 60 per-

UBAV Nederland BV, whose share capital is wholly owned by UBAC Curação NV, and its capital is in turn held by the former Arab shareholders of UBAF. Renewed Expansion These comprise 26 Arab banks, covering at least 16 countries. They include state banks such as

cent, is held by a company called

Iraq's Rafidian Bank and the Commercial Bank of Syria, and private banks such as Al-Ahli Bank of Kuwait and the Ammanbased Arab Bank. UBAF was the busiest of the consortium banks,

Other examples of consortium banks are the Paris-based Frab Bank International (Franco Arabe

ranking 39th in the Caploan table

cient to place GIB 37th in the (UBAF), for instance, has a convo- founded in 1969, and the Banque A RAB banks have linked up unofficial league table of the luted holding structure. Credit Arabe et Internationale d'Investissement, founded in 1973. The latter looks set for a period of renewed expansion, following such recent developments as the formation in Bahrain of an offshore banking unit (OBU), called BAII Middle East, which in turn established an office in Panama in 1980, and the creation of BAII Corp, a management and investment company also based in Bahrain, BAII comes under the direct au-

thority of the Luxembourg-based Compagnie Arabe et Internationale d'Investissement, which holds 99.9 percent of the bank's shares, and which scored a notable success when it secured the services this summer of the respected former Lebanese Prime Minister Selim al-Hoss as its chairman.

Shareholders in CAII include institutions in Kuwait, Libya, Saudi Arabia, Sudan, Morocco, Tunisia, United Arab Emirates, Bahrain, Jordan, Qatar, Lebanon and a variety of West European, North and

(Continued on Page 8S)

PARIS, SEPTEMBER, 1981

Herald-Aribune

Islamic Financing Offers Alternative to West's Way

of 22 percent after management fees were deducted.

of the Islamic Investment Co. met

at its European headquarters in Geneva to discuss the phenomenal expansion of business. It was de-cided to form Dar al Mal al-Islami

Board of Experts

thorized capital of \$1 billion, in-

corporates the Islamic Investment

Co. and a number of other finan-

cial activities, all run in accordance

with Islamic precepts and under

headed by Prince Mohammed al-

Faisal, include the presidents of

Sudan Pakistan Guinea Malaysia

(the Islamic Finance House).

In May, the board of directors

By Ken Whittingham

FOR YEARS, the developing world, led by the Arab oil-producing states, has been calling for a new economic order. The call won some sympathy in the industrial nations, but the much discussed Brands report eathers dues Cussed Brandt report gathers dust.

A recent meeting in Paris to discuss the fate of the less developed countries (LDCs), jargon for the chronically poor, produced plati-tudes but offered no solutions. The advanced industrial nations, plead-The new company, registered in the Bahamas during the month of Ramadan (July, 1981) with an auing recession, will not willingly change the world economic order. For all their much publicized surplus wealth, the Arab oil states, with total revenues amounting to a small fraction of the Organization the supervision of a board of for Economic Cooperation and ary founders of the company, Development income, cannot alone change the world. A radical solution is required if the poorest developing nations are to be given a chance to move from the bottom

rung of the economic ladder. When people talk of the Islamic renaissance, their minds are usually focused on the events in Iran, which have little to do with the spirit of Islam or the aspirations of the vast majority of Moslems. The real Islamic renaissance lies elsewhere: in a determined attempt by the people of the Islamic nations to run their affairs in accordance with the principles and directives

of Islamic scripture and tradition. This does not imply a backward approach to the problems of the modern world. The essence of the Islamic revival in recent years is a new confidence, partly because of the boost provided by oil revenues and partly because Moslems educated in the West believe that Islamic principles for business and society offer a fairer system with the same benefits.

Investment Firm

For this reason, a group of young Moslem economists in 1978 put their Western-acquired expertise at the service of the Islamic Investment Co., a new venture set up by Saudi businessman Prince Mohammed al-Faisal al-Saud. The company was to operate in strict accordance with Islamic law. which meant basically that interest on capital, deposited and borrowed, is forbidden. Profit accruing from money being put to work, on the other hand, is acceptable.

At a time when interest rates in the Western banking system have been at record levels, such a proposition may seem less than attractive. But Hassan Abdul Qader, director of the Islamic Investment Co.'s head office in Shariah. United Arab Emirates, said that the new company had proved the op-

The IIC set its sights not on the wealthy investor who has links with the international money markets but on the man in the street millions of Moslems who have probably never thought of putting their spare money to work or have not had the channels to do so. Within three years, the IIC had a working capital of more that \$70 million, representing more than 11,000 investors. Requests for branch offices to be opened were coming in from the 43-nation Islamic world, and from countries as far apart as Australia and Britain, where the enquirers were not only Moslems.

The IIC operates trust funds (mudaraba). The investor must deposit a minimum of \$250, which he is free to supplement or withdraw as he pleases. There are no penalties for withdrawing funds, and there is no minimum period before profit becomes payable. The fund has been doing well, In 1980, the fourth mudaraba achieved a return

and the United Arab Emirates, the emir of Bahrain and other prominent persons from all over the Islamic world.

This and other moves to partly replace the interest-based Western financial system are not propagan-da but hard-headed business with a strict profit motive. By the very nature of the financial operations. it is of great potential interest to the developing world.

The Islamic Investment Co. has already become involved in diverse projects from land reclamation in Sudan to the purchase of reefer ships. The aim is to place investors funds in the widest possible spread of economic activities on a wide geographical basis.

The company does not put its funds into infrastructural development projects, which have longterm economic utility for a country (Continued on Page 15S)

OPEC-Western Movement Of Capital Is Improving

By Johnny Rizq

THE ATTITUDE of the International Monetary Fund to the Arab il oil-exporting countries has undergone a fundamental change since the first oil price rises of 1973.

Countries that were then painted as villains responsible for world economic disorder are today accepted as important members of the international financial community. Of course, major Organization of Petroleum Exporting Countries dollar surpluses are still with us matched by current-account deficits in the non-oil developing countries and, to a lesser extent, in the industrialized West. But the severe bottlenecks in capital movements in the mid-1970s have given way to a relatively smooth recycling process, described in the latest annual IMF report as reassuring.

Much of the credit for this improvement must go to the international banks and financial institutions that have adapted well to the need for large-scale international lending. More recently, the IMF itself has shown a desire to enlarge its role and play a more direct part in the recycling process. This means that the IMF had to increase its resources substantially, in line with the size of the payments deficits that its members were experiencing. Since the early 1970s, the current-account deficits of non-oil exporting countries have climbed steadily from about 3 percent of their gross national product to 7 percent. The combined current-account deficit of non-oil developing countries is projected by the IMF at \$97 billion this year, against \$82 billion in

About a year ago, the fund began in earnest its quest for new sources of finance, concentrating its efforts on official bilateral borrowing from countries with strong balance of payments positions. It was looking for 6 billion to 7 billion special drawing rights annually, which IMF Director Jacques de Larosiere said was needed to meet all the demands made on the fund.

Turning Point

The turning point came this spring when a major deal was concluded in which Saudi Arabia undertook to provide the IMF with up to 4 billion SDRs a year - more than half the fund's stated requirements - for two to three years. That loan agreement not only ranks as the largest ever but was indicative of the scale on which the Saudis and other Gulf oil producers were willing to lend a hand in stabilizing the international monetary system. Mr. de Larosiere spoke of the "promptness and the constructive way in which the Saudi Arabian authorities responded to the fund's proposals" and called the deal "an outstanding example of international cooperation." But that deal would never have been possible had not the IMF in

turn been ready to accept basic changes in its character and operation. To go to the market, it had to make its borrowing terms considerably more attractive. The IMF image and that of its unit of account, the SDR, had to be bettered if the Saudis and others were going to be persuaded to contribute sufficient funds. The IMF early this year reduced the number of component curren-

cies that make up the SDR "basket" from 16 to five (dollar, Deutsche mark, pound sterling. Swiss franc and Japanese ven) — a commercial combination as opposed to a diplomatic one. It then increased the interest payed on SDR-denominated deposits from 80 percent of the weighted average interest rates on component currencies to 100 per-

It took one more major inducement to persuade the Saudis that a deal with the IMF would be worthwhile. It was agreed that Saudi Arabia's IMF quota — which determines its voting power in the organization and its right to borrow funds — should be raised from 1.04 billion to 2.1 billion SDRs. This meant that Saudi Arabia became the sixth-ranking country in the IMF hierarchy behind the United States, Britain. West Germany, France and Japan, and higher than Canada, Italy, China and India. The Saudis also won a permanent seat on the IMF executive board - long-overdue recognition of Saudi Arabia's economic and political status.

Of course, the Saudi loan to the IMF should not be seen in isolation. Part of the fund's resources needs had been met by borrowings of \$1.2 billion this year from the industrialized countries. And there is specula-

(Continued on Page 12S)

Arab Investor: What's He Doing, Where's He Going?

By Roger Azar

THE SHARE of Europe, in the flow of Arab in-I, vestment, will certainly diminish progressively over the next few years. The emphasis will be on the Arab world and the far East.

Outside the United States, Europe has been a natural choice for Arab investors. It was one place they knew and had conducted business. But with the increase in investment sophistication and the opening up of other treas of more profitable investment, this trend is likely to change to the detriment of the West, where there is still resistance to Arab investments. It will indicate more direct investments and less portfolio investment, which in itself will be less favorable to the West.

To give a profile of the private Arab investor, individual or institution; his criteria for investment and the nature of funds at his disposal, plus his objectives, is difficult. There is no significant track record. but the psychological and publicity impact of private Arab direct investment has been far in excess of the true impact. The size of these investments has been small by any standard and their nature rather mun-

There has been a vast accumulation of wealth in the hands of the private sector. The large domestic expenditure of governments over the last few years, coupled with the existing small number of local entrepreneurs and domestic business practices, led to great riches among relatively few people (the agents for large corporations and projects).

Because business grew quickly, businessmen ini-ually in those comunes were not only in need of the cash they generated, but were even short of funds to put back into their businesses in order to take advantage of the considerable opportunities. Until the relative slowdown of public expenditures and the

creased competition, very few surplus funds were available in the hands of private individuals for investing abroad. The funds available were used for the acquisition of private estates abroad and other forms of conspicuous consumption. Today things have changed. Public expenditures

squeeze on profit margins that resulted from in-

have decreased, as most infrastructure is now in place. There were also the sociological problems created by the inflow of foreign labor in large quantities into an area of small indigenous population. investment opportunities at home have become

rather limited and opportunities abroad are increasingly looked at as alternative sources of profit. The criteria for selecting investments abroad are various.

Arab investors seek a high return on assets with capital gains being given preference over income, and short-term profits being favored over long-term profit. This is a reflection of the business environment in which the investor is living today.

Liquidity is the second important factor as the Arab investor, living in a changing investment environment, is well aware that what is a good investment today might not be so tomorrow, especially if his friends get the same ideas he has and pour money into a particular sector or business activity.

Safety is also an important factor for investments. Most investors, however, have a portion of their money tucked away in Switzerland. This they hardly touch and consider as insurance funds rather than investment funds. It is significant that, even in times of a liquidity squeeze and great need for cash, none of these investors will ever touch his Swiss funds, or even consider them part of his network. This is why. with what he considers as investment funds, safety is less important than one would guess.

Also gaining importance among individual inves-

tors is the degree of complementarity that his investment will have vis-a-vis his present business or existing assets. Individuals tend to invest in what they know, sometimes to the detriment of diversification.

Outsiders believe that presuge is a crucial factor for Arab investors. It is in many ways a secondary consideration, and has become even more so since a number of publicized transactions have led most investors to become more low-keyed and secretive.

There are a number of new investment companies, particularly in Kuwait and the Gulf, whose aim is to channel the investments of individuals and to create an instrument with know-how and expertise. Most of these companies, although there are nota-

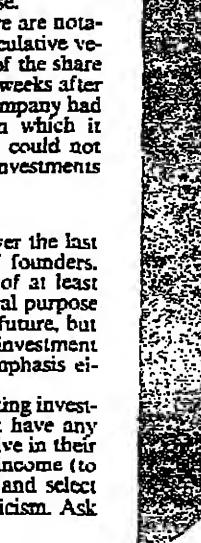
ble exceptions, have turned out to be speculative vehicles for their founders. The issue price of the share would always increase substantially a few weeks after closing for no obvious reason, since the company had not started operating and the sector in which it planned to operate was so vast that one could not really predict what the outcome of its investments would be.

Founders

Such companies, which mushroomed over the last two years, have slowed down for lack of founders. Anyone important has been the founder of at least one company. There won't be many general purpose investment companies created in the near future, but there might be a number of specialized investment companies coming to the market with emphasis either geographical or by type of investment.

It is too early to judge the results of existing investment companies, as most of them do not have any management. They will be more conservative in their investment approach and will emphasize income (to pay dividends) rather than capital gains, and select less risky investments to avoid public criticism. Ask

(Continued on Page 8S)



KUWAIT

By Shakib Otaqui

K UWAJTS ambition to be-come the Gulf's major financial market - and at the same time reduce its dependence on oil revenues — received a hefty boost with the appointment in March of Abdel-Lauf Yousef al-Hamad as finance and planning minister.
In his 19 years as head of the

Kuwait Fund for Arab Economic Development, Mr. al-Hamad established an enviable reputation for hard-headed realism in evaluating aid projects, combined with an efficiency and lack of bureaucracy that has made the fund a favorite with borrowers. In his new job, he remains committed to maintaining Kuwait's traditional free-enterprise economy and encouraging the development of the financial markets by the private sector. But he will doubtless be ruthless with institutions that pursue their shortterm interests at the expense of Kuwait's longer-term strategies.

Mr. al-Hamad has been careful not to commit himself to specifics. In several interviews since his appointment, he has repeatedly said that he was too new in the job to offer detailed statements. But his impact on the financial markets has already been dramatic.

Trading on Kuwait's budding stock exchange has boomed, with turnover exceeding I billion Kuwaiti dinars in the first half of this year — almost equaling the 1980 total of 1.3 billion. It seems likely that by the end of the year turnover will beat the 1979 record of 1.8 billion dinars.

Bond Market

The Kuwaiti dinar bond market has been revived and is likely to become an increasingly important source of finance to supplement the Euromarkets. Interest rates are lower than those on dollar loans. while the government-engineered stability of the dinar's exchange rate lessens the risk to borrowers

from rate fluctuations. Domestic liquidity has increased steadily throughout the year. bringing an element of stability to the financial markets after two years of periodic liquidity crises.
This has been achieved by a combination of government pumppriming and a tough policy of deterring local banks and other institutions from draining the local market by transferring funds

abroad. This has been mainly aimed at

Al-Hamad Appointment Puts Force Behind Bid To Dominate Gulf, Reduce Dependency on Oil

Kuwait's major rival for financial dominance in the Gulf: Bahrain. Kuwaiti banks had got into the habit of placing funds with offshore banking units (OBUs) in Bahrain, taking advantage of interest rates on dollar deposits almost double the 10-percent maximum fixed by Kuwaiti law. This drain has been virtually eliminated —
the Central Bank of Kuwait has been notably tough in threatening to withdraw "swap" facilities from offending banks. In addition, foreign deposits are not considered liquid assets for reserve-ratio pur-

Nevertheless, the 10-percent interest ceiling remains something of a hindrance in developing the financial markets. The two bond issues that recently reopened the Kuwaiti dinar market adhered to the ceiling but had to be priced at a discount to yield 11 percent to 11.5 percent. Similarly, commercial bank loans to local borrowers are usually loaded with front-end fees to give them a reasonable yield above rates the banks have to pay to attract deposits.

poses, which makes them less at-

Interest Rates

Mr. al-Hamad has not committed himself on the subject of interest rates, but it will prove difficult to greatly raise the ceiling. This would have an inflationary impact on the economy, while making it more difficult to reconcile the financial system with the Islamic ban on usury. So the problem of retaining funds in Kuwait will remain as long as foreign-exchange movements continue free of control and investors find more attractive yields abroad.

This lies behind Mr. al-Hamad's recent cautious but steady exposure of the dinar to the workings of world financial markets. He has found it necessary to provide alternative outlets for rich Kuwaitis' appetite for financial investment.
As well as reopening the dinar bond market, he permitted a precedent-setting loan to Yugoslavia. which for the first time was denominated partly in Kuwaiti di- the exchange of properly constitut-

syndicated in June, Kuwaiti inter- cal companies. More importantly, est rates were half those payable particularly attractive for the hardpressed Yugoslavs. Mr. al-Hamad low more-such loans "to our by the end of the year.

friends, such as Yugoslavia," indicating that political considerations were perhaps as important as fi-

nancial ones. Whatever the reasons, the move represented another step toward removing the dinar's insulation from world mar-

Playground

The Yugoslav loan was co-leadmanaged by the three Ks -Kuwait International Investment Co., Kuwait Investment Co. and Kuwait Foreign Trading Contract-ing & Investment Co. All are active both in the Kuwaiti dinar market and in the Euromarkets abroad, mostly specializing in bond issues. The first is privatelyowned, while the government holds 50 percent and 80 percent of the other two, respectively. Within Kuwait, they are backed by the Arab Company for Trading Secu-

The stock market is not so wellserved and has been described as "something of a playground for a relatively small, but extremely wealthy, group of Kuwaiti investors." It has been a speculator's paradise, with investors more concerned with quick capital gains than with the generally mediocre dividend yield. Indeed, many companies used to be floated with little purpose other than riding the spec-

rities, which is the market-maker

for the dinar bond secondary mar-

ulative bandwagon. Steps have been taken to professionalize the stock market, perhaps best exemplified by the magnificent exchange building under construction at a cost of more than \$40 million. To control speculation, the government first banned the floating of new Gulf companies — firms registered in other Gulf countries whose main purpose is to supply shares to the Kuwaiti public. More recently, a ban on the trading in Kuwait of shares of companies formed abroad was announced in July.

To compensate, the government has decided to allow the listing on ed Gulf companies, and to allow When the \$250-million loan was the listing of previously closed lopermission was granted in August on Eurodollar deposits, making it for the formation of a share-trading company with a capital of 50 million Kuwaiti dinars. More such then commented that he would al- companies are likely to be licensed

System Proves Its Resiliency Despite War, Economic Problems LEBANON

By John Roberts

THERE WAS a time when Beirut was I the undisputed champion of the Arab banking world. Although Bahrain has probably taken that title, even a cursory look at the Beirut banking scene shows that the Lebanese capital is still a good place to do business.

By the end of 1980, bank deposits in the 80 commercial banks in Lebanon totaled 27.303 billion Lebanese pounds, of which 24.824 billion was from private sector de-

posits. According to the Banque du Liban, the central bank, private sector deposits rose an impressive 20 percent a year between the end of 1974, the last year of normality in Lebanon, and the end of 1980. Even if the decline of the Lebanese pound against the dollar is taken into account and growth is calculated in dollar terms, it averages 11.1 percent a year. There is no shortage of money in Lebanon, despite the financial crisis engulfing the new government, and liquidity levels in the private banks remain high. Trade is flourishing and the banks belo to finance trade. It is industrial activity that is declining.

Several foreign banks are thus faced with the possibility that they might lose money on their Beirut operations. But there are distinct differences between the foreign banks. In general, the British and U.S. banks are seen to be suffering from a decline in the real value of total assets, whereas those of the French banks are rising (the British Bank of the Middle East, a

subsidiary of the Hong Kong and Shang-hai Bank, is a notable exception).

Declining Deposits

Banks that showed declines in their deposits in 1980 included Al-Mashrek Bank, Arab-Libyan Tunisian Bank, Moscow Narodny Bank, Bank of Kuwait and the Arab World, Near East Bank and Toronto Dominion Bank. Chemical Bank (Middle East) registered zero growth, while Chartered Bank's growth in deposits was eclipsed by the rate of inflation.

During the civil war, the banks had to close twice - between December, 1975, and February, 1976, and between March, 1976, and January, 1977. More than one-third of the 72 offices and branches of foreign banks operating in the country were destroyed or damaged. Even today, the heart of Beirut's former banking district displays the bombed-out remains of some branches, although others have restored their facades and reopened.

The civil war, if anything, gave ordinary Lebanese increased confidence in their banking system. After the collapse of the Intra Bank in 1966, there was a flood of money into the foreign banks operating in Beirut. In 1969, only 23 percent of bank deposits were lodged with Lebanese banks. But the temporary withdrawal during the war of some well-established forcien banks, notably Japanese ones, resulted in local banks holding 42 percent of total deposits in 1978. The share held by foreign (non-Arab) banks declined between 1969 and 1978 from 40 percent to

Since then, the foreign banks have improved their position, but at the expense of Lebanese banks under foreign control and of Arab banks rather than of purely Lebanese banks. Moreover, foreign banks are again cutting back their operations. Canada's Toronto Dominion Bank has pulled out altogether, while in 1980 Chase Manhattan cut back its staff, a step that

Bank of America took early in 1981. Richard Gilgan, the manager of the First National Bank of Chicago branch in Beirut, said that the U.S. banks were doing their best to maintain their presence without increasing their expenses. In particular, he said, the problem was one of stable to declining income against rising

The optimism that accompanied the formal end of the civil war in November, 1976, has been tempered by the realization that Lebanon is in the middle of a prolonged period of no war, no peace. The divisions in the country have affected banking operations. The mushrooming of bank branches that has been characteristic of the local banking scene turns out to reflect not so much the growth in business

as the increasing division of the nation. Yet the banking system has shown considerable resilience in coming to terms with a security situation that would be intolerable in other business-oriented countries. Basic services are maintained in the most trying of circumstances.

Customer nervousness about the state of the country has led to a continuing growth of on-call deposits, making banking operations more dependent on the political and security climate. Moreover, the government's need to ensure that as few private companies go bankrupt as possi-ble has led it to pass laws that make it

virtually impossible for the banks to force even long-standing debtors to settle their What has ensured the banking system's survival has been the country's laissezfaire economic system. With government interference virtually removed, trade has flourished as never before. But it is unregulated trade, and its profits would not be deposed with the banks were it not for the strict secrecy of accounts. Moreover, while

the civil war and subsequent years of un-

rest have increased emigration, this in turn has led to an increase in the flow of

remittances from abroad. The chief characteristic of the banking scene remains its flexibility, its ability to surmount obstacles. When telecommunications are down, couriers shuttle to London, Paris and Cyprus. The range of services remains impressive. Accounts may easily be opened in any of the major foreign currencies and in several of the more obscure. Indeed, since 1974 there has been a 230-percent increase in foreign-exchange deposits, against a 131-percent increase in local-currency deposits. By the end of 1980, roughly 37 percent of deposits were

dominated in non-Lebanese currencies.

A Look at the Arab Investor: What's He Doing and Where's He Going?

(Continued from Page 7S) any investor how he wants to invest his surplus monies; and you would expect the answer of at least half in direct investments. But, when you look at his assets, you will discover that outside of what he possesses in his own country, most of his network is with a bank in deposits or bonds or stocks. With the increase in sophistication and better management, the Arab investor will soon be moving away from portfolio investments.

A look today at a number of selected and fairly representative portfolios of Arab investors shows that more than half the portfolio is in dollars, the rest divided into a number of other currencies.

The largest part of the deposit is in U.S. term deposits. This is due to present high interest rates and a preference for short-term investment and liquidity. Some investors, who have been on one- or

three-month deposits for years, worry about being liquid enough to take advantage of the excellent opportunity that is going

to occur in the very near future. Bonds and stocks today constitute about a quarter of the portfolio of the average Arab investor. The proportion is probably higher than they wish, but they don't want to suffer losses on some lowcoupon bonds they have, or lose money on some of the glamorous stocks they bought that turned out not to be so glamorous.

The rest of the portfolio is mostly in commodities. This type of investment became very popular among Arab investors when the metal markets (particularly silver) rose sharply last year. Most of the investors were obviously disappointed with the ending of the price rise. They kept their positions, however, hoping for a future recovery. During the next boom in the commodities market, there will be a number of Arab investors in

the front row, but much wiser and more careful. With direct investments, real es-

tate is the area the Arab investor knows well. A large proportion of fortunes in the Arab world are based on real estate. It is a hedge against inflation and can be bought in periods of recession and is sure to appreciate in times of prosperity. For Arab investors that have the staying power, it represents an ideal long-term invest-

Once you have determined the rules of good location, judging the value of a piece of real estate is relatively easy. Investors who have never heard of the cash-on-cash investment criteria, have picked up some of the nicest real estate deals. Another advantage of real estate is its visibility and its ease of identification. It is a lot easier to show your friends a prestigious building in Houston than a forward contract in copper or a dollar bond for

a well-known borrower. The amounts invested in real estate in the West have been relatively large. Investors usually started by buying a house for themselves and their families, thus learning about that particular market. Then

GIB Activity, Profits Rise they typically bought a large piece of property and compared it with the purchases of friends, who were doing the same in other cities. Slowly the investor got to know the brokerage channels and was

able to identify "good buys," a

concept very important to the

The next step was to look for

growth areas, i.e., places where

capital gains were possible over a

relatively short period of time.

Friends got together to pool funds

and talk about diversifying geo-

graphically and by type of real es-

tate. By then, they had acquired

enough knowledge to become so-

phisticated investors, although not

by Western standards. Real estate

will continue to be favored in the

near future, but a much larger pro-

portion will be invested outside the

West and development will be pre-

ferred to already-finished build-

ings. The Arab investor has equity

money and is willing to take a de-

Roger Azar is president of Azar

Arab investor.

velopment risk.

S.A., Paris.

(Continued from Page 7S)

South American, and Asian commercial banks.

The last year has seen the start of a new wave in consortium banking. The Kuwait and Asian Bank was set up in 1980, while in April, 1981, the United Gulf Bank was established in Bahrain, on an offshore basis, to participate in the Euromarkets.

Both banks have shareholders in common, notably the Kuwait International Investment Company and four insurance firms: Kuwait Insurance Company, Warba Insurance Company, National Insurance Company and Gulf Insurance Company. As with most banking developments in the Arab world their performance will be watched closely, both by bankers and commercial companies seeking to take advantage of Bahrain's offshore fa-

The sign of understanding.

There are branches and offices of The Saudi British Bank throughout the Kingdom. In Al-Khobar, Dammam, Hoffuf, Jeddah,

Jubail, Qatif, Riyadh. And in each case, the sign outside does more than announce our presence. It shows you that we understand the demands and needs of a fast developing economy and nation.

It shows you that we understand and are ready to help with your financial requirements whether at home or abroad, no matter how small or large.

And it shows that we understand and have a commitment to all our customers from the personal account holder through to the largest international corporation.

The Saudi British Bank The bank that understands

Alkhobar - Dammam - Hoffuf - Jeddah - Jubail - Qatif - Riyadh A commercial bank owned 60% by the Saudi public and 40% by The British Bank of the Middle East, a member of The Hongkong Bank Group. Head Office: PO Box 9094, Riyadh, Telex 202349. Authorised and fully paid up capital SR300 000 000

Has your Worldwide Banking Network



a missing piece?

Kuwait can be a difficult financial market place. The correct decision today may be the wrong decision tomorrow, such is the pace of change in the Arab financial

On the spot information, up-dated and knowledgeably assimilated is vital to successful involvement.

That's why the Gulf Bank is the right Bank to ensure you a total banking network with no missing pieces. Combining in depth local market

knowledge, experience and involvement. the Gulf Bank is equipped to handle any Kuwait transaction or participate in international money market activity.



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in the ARAB WORLD

SAUDI ARABIA Kingdom's Market Continues to Grow at 30% Annual Rate

By Edmund O'Sullivan THE SAUDI banking market continues to grow rapidly, reflecting double-digit economic growth and rising demands for banking services by the Saudi peo-

Total bank assets on June 2 1981, stood at 95 billion riyals, more than 7 percent above the level three months earlier. This suggests that banking continues to grow at about 30 percent a year. Impressive as this figure is, it

largely underestimates the size of the market for banking services in the kingdom, because it excludes business on the books of Sandi money changers — possibly about 25 percent of bank assets — and the role of banks based in Bahrain, Europe and North America that service the kingdom offshore.
Sandi-based banks fall into sev-

JIB Ach

etwa

eral categories. The first comprises the wholly-owned Saudi commer-

By Edmund O'Sullivan

THE DOMESTIC role of the

Agency (SAMA) can be expected

to expand in the 1980s in line with

the growth of the kingdom's non-

oil economy—this despite the ab-

sence of most of the usual mone-

tary policy instruments at the dis-

SAMA is more familiar to West-

ern observers as the keeper of the

keys to the kingdom's treasury.

Due to higher oil prices and larger

than anticipated oil exports — be-

cause of the Gulf war — the kine-

record \$46 billion in the year end-

ing in May, 1981. Slower than

planned increases in public spend-

ing led to the highest-ever budget

surplus — estimated to be just un-

der 120 billion riyals (or 15,000 ri-

vals for every resident of Sandi

The result was a further major

increase in SAMA's foreign assets.

By the middle of fiscal 1980-1981,

they had risen to about \$84 billion.

against \$66.7 billion six months

earlier, financial sources say. Plans

for a 46-percent increase in public

spending in fiscal 1981-1982 — to

stimulate further non-oil gross do-

mestic product growth and im-

duction in the trade surplus. As-

suming that oil production averag-

es 9.25 million barrels a day, the

surplus would fall to about \$28 bil-

lion in 1981-1982 and \$10 billion

Arabia) — in fiscal 1980-1981.

dom's trade surplus rose to

posal of central banks elsewhere.

Saudi Arabian Monetary

cial banks: National Commercial is generally considered more con-Bank (NCB) and Riyad Bank, both based in Jidda. The NCB, founded in 1938, is the largest, with a total of about 12,245 billion riyals on its books at the end of 1980. It has more than 100 branches in Saudi Arrhin and an offshore es în Saudi Arabia and an offshore banking unit (OBU) in Bahrain.

One of Largest

Founded two and a half years ago, the OBU has become one of representative offices in London, Singapore and Seoul. These may eventually become full foreign branches. But the bank's present concern is the rapidly growing domestic market.

Nevertheless, these figures —

which are considered an underesti-

mate - will mean a further major

rise in SAMA's responsibilities

and foreign investment portfolio.

This is why the world's investment

banking community is beating a

path to the door of SAMA's gover-

Conservative Strategy

ty-handed because SAMA pursues.

ment strategy and is not easily per-

suaded to change course. Accord-

ing to financial sources, it has con-

centrated on placing funds with

foreign governments, favoring oil

deficit countries such as Japan and

West Germany. Signs of willing-

ness to diversify have emerged

agency plans to open a \$1-billion

Japanese equity portfolio.

with unconfirmed reports that the

The expansion of SAMA's over-

seas portfolio coincides with a

steady rise in the agency's domes-

tic responsibilities. Even though it

has effectively assumed most of

the functions of a national mone-

tary authority, by conventional cri-

teria SAMA does not qualify as a

most obvious deficiencies are the

absence of government debt in-

struments — beloved by Western

central banks as a means of drain-

ing or injecting liquidity — re-

Many have returned home emp-

generally conservative invest-

nor, Abdel-Aziz al-Ouraishi.

cials estimate.

servative than the NCB. Nevertheless, it has benefited from the buoyancy of the non-oil sector of the economy, and recorded a 60percent rise in assets in the 1980-1981 fiscal year, which ended in May, 1981.

Riyad Bank, which celebrates its 25th year of doing business in 1982, is 38-percent owned by the Saudi Arabian Monetary Agency (SAMA). This may explain why the bank handles the needs of Bahrain's largest operations because of its heavy participation in rival deposit markets. The NCB is considering expanding its international network and has opened min, Sandia and the pension

Riyad has made a major foray into international banking through its 60-percent stake in Gulf Rivad Bank, another Bahrain-based OBU. The rest of the bank's shares Riyad Bank — the kingdom's are held by France's Credit Lyon-second-largest and second-oldest nais Like NCB. Riyad is focusing nais. Like NCB. Riyad is focusing

mediate future. It hopes to open 48 branches in the next two years, bringing the number of branches to 127. Computerization is helping provide better services to customers in the home market

Lagging behind these two giants are the newly "Saudi-ized" banks - Riyadh's Saudi American Bank (formerly Citibank); Al-Bank al-Saudi al-Fransi (formerly Banque de l'Indochine et de Suez); Al-Bank al-Saudi al-Hollandi (Algemene Bank Nederland); Arab National Bank (Jordan's Arab Bank); Bank al-Jazira (state-owned National Bank of Pakistan); Saudi British Bank (British Bank of the Middle Fast pont a subsidiary of Middle East, now a subsidiary of the Hong Kong Shanghai Banking Corp.), and Saudi Cairo (Banque du Caire, Egypt).

Saudi American

second-largest and second-oldest nais. Like NCB. Riyad is focusing Saudi American is probably the commercial banking operation — on the domestic scene for the im- largest, having inherited Citibank's

Role of Saudi Monetary Agency Is Likely to Expand

in fiscal 1982-1983, SAMA offidiscounting facilities and the ability to control interest rates directly. The absence of treasury bills and government bonds is understandable — the government has no need to turn to the private sector for financing public spending. SAMA cannot use the interest rates because — technically — they do not exist as far as the govern-

> ment is concerned. Nevertheless, SAMA has a sophisticated — if unfashionably Keynesian — appreciation of unstable money growth and how the banking system can effect domestic liquidity. In fiscal 1979-1981 (two fiscal years), the money supply grew at an annual rate of 15 percent-20 percent, which SAMA officials say is broadly satisfactory They want to see an approximately similar growth in the remaining years of the third plan (1980-1985)

Strict Regulations

which was launched in May of last

To ensure that the aggregates do not start exploding - as they did during the first great Saudi boom in the mid-1970s - SAMA imposes strict regulations on domestic banking, including a 7-percent reserve requirement on demand savings and time deposits; a 15-toceiling on the deposit-to-capital ratio, and a liquid-asset-to-deposit ratio of 25 percent. Lending to a single borrower may not exceed 25 percent of bank capital and

These are tight prudential ratios by international standards — for example, the international average for the deposit-to-capital ratio is about 20. SAMA has also imposed price ceilings for a range of banking services, including letters of credit fees, and checking account and transfer tariffs. The objective is to help spread banking profits to the masses, Mr. al-Quraishi said.

Banker's View

From a banker's point of view, the system of regulations means that Saudi banking is the most tightly supervised area of the private sector. Some complain that the rules are preventing domestic banks from growing as fast as the economy requires. They are particularly critical of the government's slowness in allowing banks to expand their share capital, the essential basis for growth within the present supervisory framework.

The lack of regulation of the money changers - notably the Al-Rathi Company for Currency Exchange and Commerce - is a further irritant. SAMA says that they are not banks but the concensus in the banking community, within Saudi Arabia and offshore, is that the money changers are full participants in the kingdom's financial

Others argue that SAMA's rules are just what banking needs at this stage, when Saudi Arabia's booming economy could encourage local banks to over-commit themselves.

progressive

bank.

active presence in riyal deposit markets. Assets increased nearly l billion riyals between Saudi American's inauguration in July, 1980, and the end of December, 1980 —

a rise of about 13 percent.
With the establishment of Saudi American, the first phase of "Sau-di-ization" was complete. This involved local investors acquiring majority shares of major foreign-owned banking operations in the kingdom. The formula, applied be-tween 1975 and 1980, was for foreign ownership to be cut to 40 per-cent, with one exception: Bank al-Jazira, the first bank to be "Sandiized," now 35-percent owned by the National Bank of Pakistan. Three foreign-owned branches continue to operate, although they are too small to have a great impact. They are Bank Melli Iran, Banque du Liban et d'Outre-Mer and Pakistan's United Bank.

themselves eventually, although final plans have not been drafted. Finally, there is the Saudi Investment Banking Corp. (SIBC), founded in Riyadh in 1977. Its priorities are finding projects in the kingdom where local funds can be invested.

SAMA wants them to "Saudi-ize"

Making Progress

Finding investments has been more of a challenge than many expected. But bank executives say that they are making progress, which they expect will continue as the Saudi business community matures. SIBC's biggest single syndication so far was a combined 240million-rival loan and 334-millionriyal package for the Riyadh-based Saudi Agriculture and Dairy Co. this summer.

Like the other 12 banks, SIBC is member of the Jidda, Rivadh and Dammam clearinghouses, although it does not accept personal deposit business.

The issues confronting the banking system are meeting the demand for personal banking services throughout the kingdom, fending off the competition from well-esablished offshore banks, and growing without breaching SAMA's tight controls on bank capital, lending and deposit-tak-

Signs that the domestic banks still cannot match the know-how and capacity of offshore banks is evident with the continued flow of major syndications to Bahrain. particularly for off-balance-sheet bank guarantees for construction companies working in the kingdom. Nevertheless, many analysis agree that non-Saudi banks will be slowly squeezed out of the king-

the segmentation of the second of the second

MOROCCO

By Michael Frost

THE NEXT five years will be a testing time for the managers of Morocco's economy as they steer through a development plan to overcome serious economic im-balances while at the same time easing the social disparities that led to rioting in Casablanca in

The main aims of the 111-billion-dirham 1981-1985 plan — to be published this autumn — are to curb imports of fuel and food, to boost exports and to revive industrial investment. But the plan looks like it is getting off to a bad

The trade deficit increased sharply in the first half of 198]. with imports rising by almost 29 percent and exports by only 15 percent compared with the first six months of 1980. Stringent conservation measures succeeded holding down the cost of crude oil. the major import, in 1980, but costs in the first half of 1981 again soared to 2.746 billion dirhams from 2.082 billion in January-June. 1980. Oil imports now seem likely to reach at least 5 billion dirhams in 1981, from 3.961 billion in 1980. Given the need for energy to fuel industrial expansion, a medium-term reduction in the oil bill

will depend on the success of the \$38 million to be spent on oil and gas exploration during the 1981-1985 plan. Longer-term improvements hinge on a program of investment in nuclear energy and oil shale, which are planned to meet 51 percent and 19 percent, respectively, of energy needs by the year 2000. But these goals are tenuous because large-scale production of energy from these sources will not

Food Imports

start until at least the early 1990s.

The second factor contributing to 1981's poor trade performance is the continuing heavy reliance on food imports, which totaled 2.461 billion dirhams in the first six months of this year — 43-percent higher than in the same period last

The government's management of agriculture was one of the areas singled out for criticism in a World Bank report prepared earlier this year. Agriculture accounts for only about 17 percent of gross domestic production of about \$16 billion year. Output has grown by about 2 percent a year since independence in 1956, a very low rate for a coun-

try so rich in water and manpower. The stagnation of the agricultural sector is the main obstacle to economic growth, the World Bank report said. The concentration of Ambitious New Economic Plan Hindered By Early Imbalance in Imports, Exports

government credit in fruit and vegetable exports has hindered investment in industry and in farms pro-ducing food for local consumption. The cost of sugar and cereals—the main food imports—has far outpaced the growth in fruit and vegetable exports, which account for almost 30 percent of export earnings. In the first half of 1981, wheat imports rose sharply to 951 million dirhams from 646 million in the first six months of 1980, while sugar imports more than doubled to 781 million dir-

hams from 319 million. Measures to counter these trends during the 1981-1985 plan include building 12 dams to irrigate a further 189,000 hectares. much of which will be used for cultivating cereals. Sugar production could meet almost 90 percent of demand by 1985, against only 53 percent in 1980, with the completion of a sugar beet refinery, three sugarcane refineries and substantial extensions to existing refiner-

Phosphate Production

Just as Morocco suffers from an over-reliance on strategic imports, its economy is also very vulnerable to fluctuations in the production and value of the major export, phosphates. Morocco is the world's biggest phosphate exporter and the third-largest producer, and about 25 percent - 26 billion dirhams - of investment in 1981-1985 is to go toward developing the extraction and processing in-

Recent performance has been disappointing. Revenues totaled little more than 3 billion dichams in 1980, down from the 1974 peak of 4 billion and barely enough to cover food imports. This occurred despite a recovery in prices from \$33 a ton at the end of 1979 to \$47 ton at the end of 1980.

The importance of phosphate exports to the economy was illustrated by the effects of the 1975 slump in prices. In 1973, Morocco used its position as the world's argest exporter to support a quadrupling of the average price of phosphate rock to \$53 a ton. This was successful for two years until the high prices enticed marginal U.S. and other producers into the market. After peaking at \$60 a ton in 1975, average prices collapsed overnight to \$35, settling down to the 1979 price of \$33. At least some of the blame for the slump. which brought immediate and severe difficulties for the Moroccan economy, must be borne by the state phosphate monopoly, Office Cherifien des Phosphates.

which has recently been criticized for poor long-range planning by both the World Bank and Western commercial bankers.

Despite these severe trade diffi-culties, Morocco has been able to improve its payments position, largely because of major support from Western allies and from the conservative Arab states — particularly Saudi Arabia. The 1980 balance-of-payments deficit of 117.2 million dirhams was slightly lower than 1979's 125.9 million, while the current-account deficit fell to 5.588 billion from 5.968 billion.

IMF Credit Much of the current-account deficit was covered by public borrowing and the first part of the \$1.1-billion International Monetary Fund credit announced in October, 1980, and restructured in Morocco's favor in early 1981. Borrowing in 1980 totaled 7.1 billion dirhams, primarily from Arab countries (2.753 billion dirhams), the capital markets (2.678 billion), France (668 million), the World Bank (279 million) and the United Bank (279 million) and the United States (276 million). The price for this reliance on credit was an increase in external public debt servicing to 4.2 billion dirhams in 1980 from 3.16 billion in 1979. About 2.17 billion dirhams of the 1980 total was interest, up from 1.52 billion in 1979. By the end of 1980, the external debt was estimated to total \$7 billion and the service ra-

Government spokesmen say that they hope to restrict borrowing on the Euromarkets during the 1981-1985 plan to a total of \$1 billion. but Western bankers estimate that the international markets will be asked to provide at least \$600 million a year. It therefore seems inevitable that the foreign debt will be an increasing burden. An additional strain will be imposed beginning in 1983, when repayment of the 10-year IMF loan — its second-largest to a developing country - will fall due. The government will also come under increasing pressure to reach a political settlement in the Western Sahara war against the Polisario, unofficially estimated to be costing \$3 million a day.

tio to be running at more than 20

Signs that Morocco is losing some of its appeal for longer-term money appeared toward the end of 1980, when the Office Cherifien des Phosphates had to settle for a \$170-million state-guaranteed syndication at a split of 1-1% percent above Libor — a smaller sum and at less favorable terms than the government had hoped for.

Kuwait.

A message from the country's most

KUWAIT the past few years, Kuwait∛ has emerged as the

ports - should lead to a major re- full-fledged central bank. The

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Balance Sheet 1980

Assets	1980	1979
CASH AND DUE FROM BANKS	408,598	245,976
TIME DEPOSITS WITH BANKS	327,458	318,276
SECURITIES	7,438	3,403
LOANS TO CUSTOMERS	805,135	597,967
CUSTOMERS' COLLECTION ITEMS	7,877	3,297
Prepaid and other assets	15,055	13,250
INVESTMENTS	. 140	6,504
BANK PIXTURES AND EQUIPMENT	7,156	8,227
Total Assets	1,578,857	1,197,580

Total Liabilities	1,578,857	1,197,580
per accompanying statements	68,537	59,03 8
CAPITAL ACCOUNTS,		•
ACCRUALS AND OTHER LIABILITIES	39,064	27,574
CUSTOMERS' COLLECTION ITEMS	7,991	3,560
	1,485,285	1,107,394
DEPOSITS: Demand Time	254,940 1,200,325	357,694 749,803
Liabilities '	1980_	1979

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Assets	1980	1979
CASH AND DUE FROM BANKS	133,871	\$7,534
TIME DEPOSITS WITH BANKS	\$5,045	40,185
SECURITIES	7,158	-
LOANS TO CUSTOMERS	244,226	188,011
CUETOMERS' COLLECTION ITEMS	3,996	16,426
PREPAID AND OTHER ASSETS	8,372	8,355
MYESTMENTS	21,410	27,994
BANK FIXTURES AND EQUIPMENT	4,906	4,830
Total Assets	492,985	341,235

Liabilities	1980	1979
DEPOSITS: Demand Time	19.058 408,508	36,089 227,866
	428,567	263,940
CUSTOMERS' COLLECTION ITEMS .	3,995	12,772
ACCRUALS AND OTHER LIABILITIES	10,034	12,825
CAPITAL ACCOUNTS.		
per accompanying statements	53,369	51,629
Total Liabilities	492.985	341,236

Board of Directors

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Banking and Finance

Government Maintains Effective Control of System

By John Roberts

BANKING in Syria is almost exclusively a state-run affair. The only general exceptions are the services provided by money changers in the streets and bazaars of the country's towns and cities.

In the nationalization decrees of 1961 and 1963, the government took control of non-Syrian banks' operations to make the country's monetary policy more efficient and more amenable to central planning needs. Now that economic liberalization is fashionable. gradual moves are being made to ease the government's tight control of the system — although the day when foreign banks can operate again widely in Syria is still in the

anspices of one bank, the Com- loans. mercial Bank of Syria. The bank In 1970, the government permitand the Industrial Bank.

future.

The Commercial Bank handles foreign exchange. external trade financing apart

from defence supplies, but shares April 22, 1981, when Commerce trade financing with the Popular and Industry Minister Mohammad Credit Bank. The Real Estate Bank lends to housing cooperatives, hotels, tourist establishments and real estate companies, while the Industrial Bank, as well as providing funds for industrial development, handles demand and time deposits. The Agricultural Cooperatives Bank, which dates back to Ottoman Turkish times, naturally lends funds for agricultural

Interest Rates

schemes.

Traditionally, Syria has followed: a policy of low interest rates. But the government of Prime Minister Abdel-Rauf al-Kasm has gradually sought to raise interest rates to more realistic levels. In general, in-The banking reforms of the terest rates still favor the public 1960s, when the present Baathist sector, with private account hold-regime began stamping its image ers having to pay between 1 peron the country, placed all commet-cial banking operations under the drafts and up to 2.5 percent on

now has branches in the major ted both Sprians and foreigners to towns and border points, and changes money at the main hotels. Special services for Syrian customers are mainly handled by four other banks: the Popular Credit Bank, the Real Estate Bank, the Agricultural Cooperatives Bank credit for up to one year, without anyone asking the source of his

This practice was ended on

al-Atrash issued new regulations establishing a parallel financial market for use by private sector businessmen. The new measures stated that all private sector importers, apart from those fulfilling government contracts, would first have to place funds in escrow with the Commercial Bank of Syria, or with other recognized Syrian banks. To ensure that these instructions were carried out, government authorization was made

mandatory for all imports.

At the same time the government partially floated the Syrian pound, to enable Syria to attract remittances from Syrian expatriates which would otherwise have entered the Lebanese or Jordanian banking systems. The parallel exchange rate enables the Syrian pound to float - within government controlled limits — against other currencies for certain purposes. These cover most private sector transactions and tourist currency exchanges as well as remit-

One immediate effect of the move was to cause concern among Lebanese bankers, since they had previously financed a substantial amount of Syrian trade, and with the new system, this would now be financed by Syria's own banking

Recent moves to liberalize the banking system have generally been cautious. The Syrian-Jordanian Bank was established at the end of 1979 to act as a commercial bank and to finance joint Syrian-Jordanian projects. The govern-ment described its establishment — the first such joint venture to be undertaken by the authorities - as an experiment, "an open window through which the market economy can function." But it was made clear that the reasons for its establishment were largely political, to help finance trade with Jordan, and that further such ventures would also depend on the right po-litical circumstances.

Meanwhile, the Commercial Bank continues to act as correspondent for many Western and Arab institutions. It has also established branches in Syria's free trade zones, in which businessmen can open accounts using foreign currency and then use them to secure orthodox letters of credit payable on sight.

In general, the government still views banking as an extension of state planning. Perhaps this is not so surprising, as current earnings from the banking sector are esti-mated in excess of £ Syr. 1,000 mil-lion (\$255 million) — a figure that should rise considerably as expatriate remittances start to flow in the wake of April's reforms.

New Central Bank Moves to Support National Networks

By Michael Petrie-Ritchie

THE UNITED Arab Emirates is one of the most overbanked countries in the Gulf region. It has 53 banks with a total of 350 branches to serve a population of little more than 1 million.

Several of those banks have experienced liquidity shortages in the last four years and many of them remain alarmingly overextended, with credit-to-deposit ratios averaging 110 percent. This is the apparent result of years of ineffective control at the national level.

That situation is finally changing. At the beginning of this year the long-awaited Central Bank was established, replacing the less powerful Currency Board. The bank has lost little time in flexing its

banks to close a total of 89 branch- that 10 percent of net profits be es by 1984, and ruled that no for- paid into a special reserve until it eign bank will be allowed more reaches 50 percent of a bank's capthan eight branches. One of the ital. banks affected was the British The Central Bank has taken a Bank of the Middle East, which similar line with the numerous inhad 30 branches.

foreign banks with branches in the least 70-percent-owned by U.A.E.

banks to expand their networks.

It is also encouraging recapital-ization or mergers of banks to try to reduce the number of small national banks, many of which were established in the early 1970s. It

The agency has lost little time in flexing its muscle,

has fixed a minimum capital level In July, it ordered nine foreign of 40 million dirhams and requires

vestment companies. Beginning The Central Bank had made it next year, investment companies clear that it disapproved of the dis- will have to have a minimum capicrepancy between the number of tal of 50 million dirhams and be at

Emirates and the small number of untionals. Formerly, the Emirates national banks with overseas had been the target of many Gulf branches. In a gesture of support for national banks, it relaxed a 1977 ban on the opening of new branches and allowed some local The bank has blamed the lack of companies in their own countries.

The bank has blamed the lack of genuine investment institutions as a major cause of the rudimentary state of the UAE's capital and money markets.

Reserve Requirement

In a move aimed at dealing with the squeeze on liquidity — caused by the flow of funds to foreign in-stitutions paying higher interest rates than the fixed, artificially low U.A.E. rates — the bank has imposed a 15-percent reserve requirement on U.A.E. banks' dirham lending overseas. The regulation has increased the cost of dirham funds to Bahrain, the main offshore market, by about 2.5 percent, and has reduced the outflow. In the domestic market, the Central Bank has favored a more even distribution of lending. Its greatly increased powers enable it to scrutinize more closely the domestic banks' credit ratios and en-

sure that they follow the Decem-

ber, 1980, law that forbids banks

to lend more than 20 percent of

opment. Overlending to the construction sector resulted in a crisis in 1977 when it became evident that too many buildings were being built, and that borrowers would have difficulty in finding the rent revenue to repay the loans.

One of the greatest problems facing the Central Bank is how to allay the widespread concern in the banking community at at-tempts by a local borrower to avoid interest payments on the ground that they contravene the Islamic ban on usury. A member. of the Dubai ruling family who borrowed \$16 million to finance construction of the gold souk (market) in Dubai is said to have found subsequently that the returns on his investment were inadequate to meet the interest pay-

The lenders, a six-bank syndicate led by National Bank of Abu Dhabi, received a favorable judgment in the British courts but are waiting to see if proceedings will be initiated in the U.A.E. The Central Bank has kept a low profile in the dispute, except to reassure bankers that such cases would be heard in the civil and not the religtheir deposits for property devel- ious courts.

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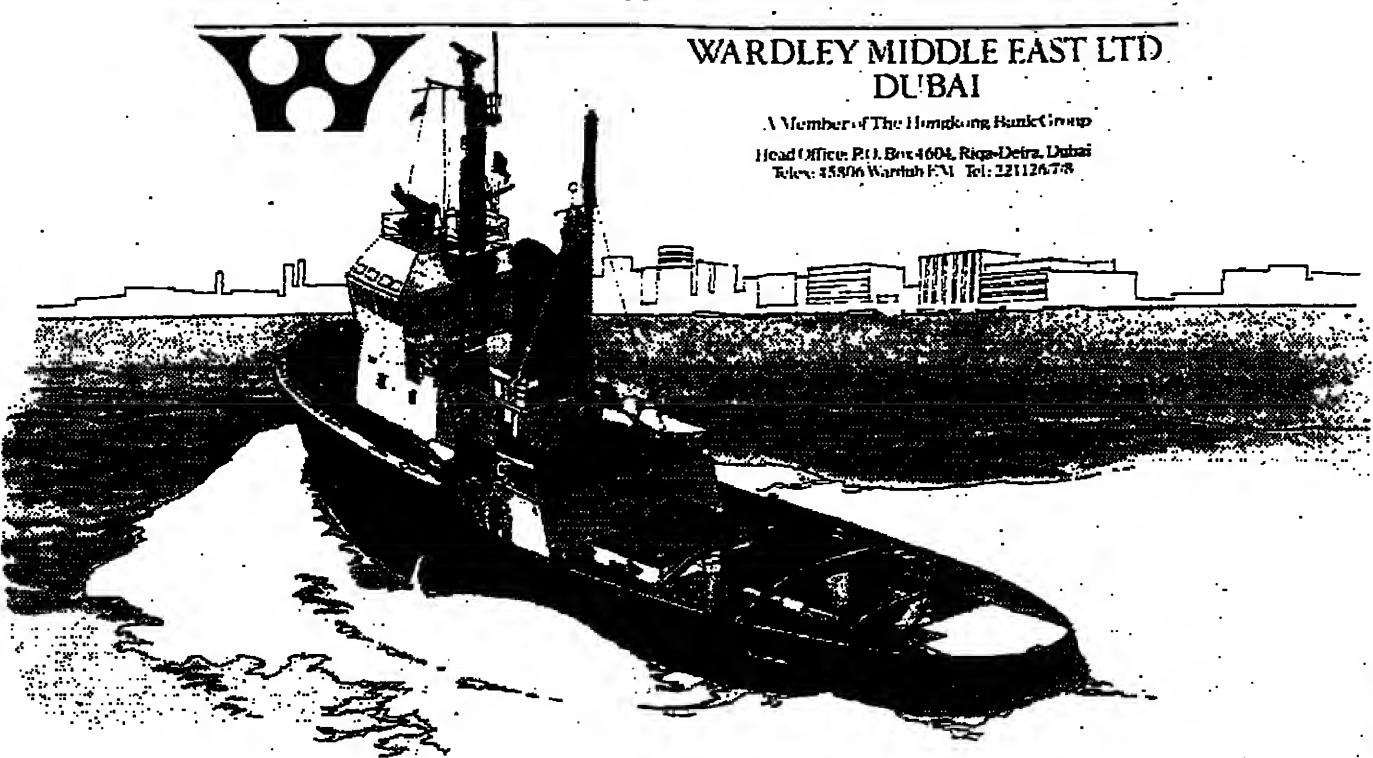
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By Michael Frost

FFICIALS of Banque Cen-trale de Tunisie (BCF) exnect to get favorable margins from he international money market to finance the forthcoming 1982-86 sixth development plan. Commercial bostowing during the plan will nse sharply, they say, as the coun-try's steady development increasinaly restricts its eligibility for aid and concessionary lines of credit. State borrowing on the commer-

cial market totaled only \$100 milion in 1977 and \$150 million in 1978. And the increasing value of imited but prized low-sulfur crude-oil reserves, together with substantial invisible earnings from iourism and remittances, enabled Tunisia to stay away from the commercial markets altogether in 1979 and 1980. -

Invisible earnings of TD 335 million in 1979 and an estimated 1D 355 million in 1980 almost covered the trade deficit, while arnings from sales of energy products - which account for about 50 percent of all exports rose to TD 472.7 million in 1980 from TD 353 million in 1979. The consequent lack of borrowing enabled the debt ratio to be brought down slightly from 11.5 percent in 1978 to 10.4 percent in 1979 and 0.5 percent in 1980. The ratio is expected to pick up again to about 12 percent by the end of 1981, and to rise further as borrowing in-

Debt Profile

The healthy debt profile, along with an increasingly liberal political climate, are reflected in Tunisia's favorable standing in the eyes of Western commercial bankers. At the beginning of 1981 Compagnie Financiere Immobiliere and Tomistique (Cout) was able to raise \$25 million for seven years at one half of I percent above Libor —a very low spread for a developing country: Lead managers were Frab Bank International and Banque Arabe and Internationale

d'Investissement. Much of the new investment for the 1982-86 plan will be financed by the joint banks in the process of being formed with Kuwait, Saudi Arabia and Algeria, and with France and Arab interests, including Qatar. A further development bank is to be formed by merging Banque; de Developpement Economique de Tunisie (BDET), Cofit and Societe d'Investissement Arabe de Tunisie. Like the other joint banks, and in contrast to the Tonisian commercial banks, it will

Favorable Standing In World Markets

be healthily capitalized at TD 100 million BDET officials say Oman, Qatar and the U.A.E. have ex-

pressed interest in participating.

The undercapitalization of the commercial banks, which has made it difficult for them to do business in the interbank market. is just one of the problems that Premier Mohamed M'zali and Planning and Finance Minister Mansour Moalla are expected to tackle if they retain their posts after the legislative elections to be held in November.

Tight controls imposed by BCT on the 12 Tunisian-controlled commercial banks include a total ban on foreign exchange dealing. Overseas correspondents can be chosen only from among those banks with which BCT does regular business. Such measures severely limit the banks' profitability. Mr. M'zali, a proven liberal, and Mr. Moalla, a respected banker with experience at BCT and Banque Înternationale Arabe de Tunisie — formerly a branch of the British Bank of the Middle East — are known to be in favor of considerable liberalization of these

regulations. Western bankers say they are likely to allow commercial banks to handle at least some of their own foreign exchange dealing and to retain some of the foreign exchange earnings that they now surrender to BCT against reimbursement in local currency. There may also be some relaxation of sectoral regulations to give banks a freer hand in deciding who they lend to.

Tunisia's offshore banking sector, too, has suffered from unusually tight government controls. Four offshore banking units (OBUs) - Citibank, Bank of America, National Bank of Abu Dhabi and the Paris-based Union Tunisienne de Banques — have been set up under the 1976 offshore banking law, primarily to service the offshore manufacturing

sector established in 1972. Opportunities for the OBUs have been limited by the tight margins available to Tunisian borrowers on the Eurodollar market. and by unexpectedly high revenues from oil and national savings. Savings financed 80 percent of investment in the 1977-81 fifth plan, 15 percent more than initially fore-

One of Timis' main attractions as an offshore center has been the easy access it affords to Libya, but this may not be enough to offset the lack of business in Tunisia. While conceding that at least one of the OBUs — Bank of America

Resisting Pressure to Cut Oil Prices

IN TYPICALLY resolute fashion. Libya is determined to reject pressure for a lowering of its oil price, despite the threat that this could leave it with a serious cash-flow problem.

The stakes are high. As an OPEC hard-liner, Libya is loath to give way on the issue. But it also needs the funds to fulfill its \$62.5-billion development plan for 1981-85.

Demand is low for \$40-a-barrel oil — exports have dropped to less than half the early 1981 levels and revenues for the year are unlikely to exceed \$15 billion. This compares with 1930 oil carnings of more than \$20 billion.

Despite reports that Libya has been pressing foreign contractors to accept oil instead of cash as partial payment for contracts. Libyan financiers are confident that the country can ease itself out of a cash shortage. It would have little difficulty in raising money in either the international or domestic markets and has substantial reserves. Its foreign reserves alone are estimated to exceed \$14 billion.

High Liquidity

Libya's five commercial banks have an extraordinarily high liquidity, with an average depositsto-advances ratio of about 50 percent. Information on the banks' performance is hard to come by because they are audited by an overworked and understaffed state audit department. According to Libyan bank sources, however, the five banks are flourishing and one made profits of \$67 million in 1980.

The biggest domestic bank, National Commercial Bank, recently gave its most recent figures as those for end-1979. Then, the bank's total assets/liabilities were given as 624 million dinars. Deposits with the bank totaled 421 million dinars. Capitalized at 2.5 million dinars, the bank operates from Tripoli and has 25 branches around the country. It has shares in European Arab Holding of Luxembourg and the Brussels-based European Arab Bank.

Two other banks — Umma Bank and Wahda Bank — have international links. Wahda Bank. headquartered in Benghazi, notably has a shareholding in Banque Arabe Internationale d'Investissement in Paris and Compagnie Arabe et Internationale d'Investissement in Luxembourg.

Correspondent banking relations exist with several countries. These were added to this spring when the Central Bank of Libya and the domestic banks concluded correspondent arrangements with the Korea Exchange Bank. The arrangements are to facilitate export-import settlements with South Korea, whose trade with Libya has grown considerably in recent years.

All Libyan banks were nationalized soon after

offshore export manufacturers to

borrow from locally based banks

- particularly the joint-investment

— has been "examining its future,"

BCT officials say they are confi-

dent that future credit needs will

at worst, sustain the offshore sec-

tor at its present size. Internationi-

al bankers in London, however,

are pessimistic about the sector's

future and say that at least two of

the OBUs are "winding down their

policies have frequently thrown the rest of the country's economy into chaos, banking and oil, the mainstays of prosperity, have emerged relatively unscathed. In the state-controlled economy, most bank activities revolve around the numerous state corporations, extending temporary overdrafts and opening letters of credit. Interest rates are fixed at percent for secured loans and 7.5 percent for

the Sept. 1, 1969, revolution that brought Col.

Meaner Qadhali to power. Since then, the Li-

byan leadership has shown a remarkably prag-

matic approach to banking. While revolutionary

unsecured loans. Deposits earn a generous 10-percent interest. The 11 foreign banks operating in Libya before 1969 withdrew following the nationalization of local banks. Most of the foreign banks were British;

of these, Barciays Bank was the largest. Yugoslavia's Jugobanka is the only foreign bank allowed to open branches in Libya, underlining the strong commercial and political links between the two countries. After a July visit this year to Belgrade by senior Libyan aide Abdel Salam Jalloud, Libya agreed to provide Yugoslavia with a seven-year, \$150-million loan to help finance the Eastern European state's expected 1981 balance-of-payments deficit. Libya's overseas banking arm was co-lead manager this year of a \$200-million loan to Banque Nationale de

Yougoslavic. The possibility for the five domestic banks to invest in further joint ventures overseas ended when the Libyan Arab Foreign Bank (LAFB) was set up in 1972. LAFB operates exclusively in the international capital markets and has earned a reputation as one of the leading Arab banks. Capitalized at 25 million dinars, LAFB recorded a 12percent increase in business in 1979 — up to \$2.585 billion — and a 48-percent rise in profits, from \$31.7 million in 1978 to \$47 million.

LAFB participated in 20 international syndications in 1980, including acting as lead manager for a \$1.5-billion loan to Italy's state-owned Ente Nazionale Idrocarburi (ENI). Italy is a major trading partner, and LAFB's interests there include a 9.09-percent holding of Fiat ordinary shares and a similar percentage of its preferred shares. In 1979, LAFB was lead manager for a S1billion syndication for Fiat.

Earlier this year, Libya was reported to be seeking to increase its equity in Italian industry with proposals to take substantial shares in Montedison, a giant chemical group, and a \$400-million takeover of Mario Maraldi, a troubled steel and sugar producer. Libya's direct investments wolrdwide total about \$2 billion.

-MICHAEL PETRIE-RITCHIE

banks - in addition to the OBUs Prospects for the OBUs should and BDET. This could well sound become clearer as a result of legisthe death knoll for the OBUs, unlation that was to have been introless they are offered some compenduced earlier in 1981, but is now sation in the form of greater freenot likely to be passed before the November elections. The governdom of activity. ment is considering allowing

EGYPT Trend Toward Increasing Regulation

THE TREND toward greater I regulation of banking and financial activity is causing increased concern in Egypt's foreign banking community.

The background to the increased state interference is the campaign led by the deputy premier for financial and economic affairs, Ali Abdel-Razzaq Abdel-Meguid, to protect the Egyptian pound and stimulate long-term investment in the country's ambitious development plans.

Egypt has the longest established banking tradition in the Middle East, with six banks ranking in the top 50 Arab banks in terms of deposits. The traditional financial infrastructure, which had been nationalized during the Nasser years, was transformed by the 1974 opendoor policy liberalizing foreign investment. Links with sources of outside hard currency financing were desperately needed at that

In the last few years, with rising foreign-currency earnings from oil sales. Suez Canal tolls, worker earnings at home and certain cateremittances and tourism, the hardcurrency shortage has eased considerably. A continuing problem is domestic liquidity and control of inflation in an economy already artificially structured with government subsidies on a wide range of staple commodities. The difficulties are compounded by a complex three-tier exchange rate system that tolerates almost a separate monetary system known as the "own exchange" market. This operates outside the main banking system and effectively provides a black market offering a 10-percent premium for dollars against local currency compared with the parallel market exchange rate.

Essential Policy

It is an essential part of Mr. Abdel-Meguid's policy to consolidate the Egyptian pound as a unit of value and exchange. The pound was devalued by 20 percent against the dollar on Aug. I for all nonofficial transactions, in an attempt to regain some of the foreign exchange that had been flooding into the own exchange market to the detriment of the official banking system since the upsurge of the

dollar earlier this year. A number of factors other than the dollar's strength have contributed to the weakness of the pound. High Eurodollar interest rates

interest rates on local savings accounts to 10 percent from 8.5 percent in July. This is still well below the 17 percent to 18 percent offered on dollar deposits. The official system has also been affected by large amounts of local bank notes being smuggled out of the country to Egyptians working abroad who have used this to buy hard currency. Rumors of higher

taxes on luxury goods, which must be purchased with hard currency, have in turn increased demand for foreign currency and pressure on the domestic market.

The Central Bank of Egypt says that the old rate of \$1 to 0.70 Egyptian pounds is to remain for state imports of strategic and basic goods and for the costing of capital projects in the current financial year. Revenues from oil, Suez Canal tolls, cotton and rice sales will also be exchanged at the old rate. New buying and selling rates of \$1 at 0.83 and 0.84 Egyptian pounds, respectively, affect tourists, Egyptian workers remitting

gories of exports. Two committees are being set up. One, consisting of local banks and headed by the Central Bank, is charged with keeping the new exchange rate under review. Western observers say that it could represent the initial moves toward a "crawling peg" exchange rate and in turn lead to the Egyptian pound being pegged to a basket of currencies. The Economic and Financial Affairs Ministry is heading the second committee, which will regulate imports,

Foreign Banks

The foreign banks in Egypt there are 54 branches and representative offices — are concerned about the implications of the new measures. Before the devaluation, Mr. Abdel-Meguid declared that the banks' licenses would be revoked if they continued to buy foreign currency through black market brokers.

It is also no longer possible for foreign banks to issue letters of credit on first- and second-category imports. Banks were instructed last year to place various deposits with the Central Bank when opening letters of credit. Category one covers basic food items and requires a 25-percent deposit. The second category, covering intermediate and capital goods, spare caused the government to increase parts and raw materials calls for 40

percent, while the third category, including luxury goods, needs a

100-percent deposit. The original requirement was that deposits be made in hard currency. This still applies to category-three goods, but for categories one and two they must be made in local currency provided by the banks issuing the letters of credit. This keeps out foreign banks as they are not allowed to deal in Egyptian pounds.

Letters-of-credit business has been a rich source of income for foreign banks even though their Egyptian licenses describe them as investment institutions. High profits with relatively little involvement in development projects by the banks has caused embarrassment. Misr International (Mibank), for example, one of the three largest joint-venture banks. reports that income almost dou-

bled in the year to Dec. 31, 1980. The foreign banks point out, not without justification, that it takes time to establish a knowledge of a country — its investment potential and the credit ratings of firms and of individuals the banks may

do business with. The foreign presence has also brought a more competitive edge in the financial market. The atmosphere has on occasions become abrasive. The chairman of Chase National Bank (the first foreign bank in Egypt after 1974), All Dabbous, was quoted earlier this year as saying that a gentleman's agreement between national banks not to seek one another's clients

seemed to have broken down. A number of foreign banks are considering joint ventures with private individuals. One advantage is that such joint ventures could become more involved in domestic banking, particularly in the acceptance of expatriate remittances. which in 1981 are estimated to total \$3 billion. The drawback is that present regulations only allow this type of joint venture if the bank closes its branch office within two

So far, the requirement announced in 1980 that foreign banks deposit 15 percent of their foreign currency holdings with the Central Bank has not been enforced. But the measure has not been rescinded, and each bank is required to make regular statements on its hard-currency hold-

- ROBERT BAILEY

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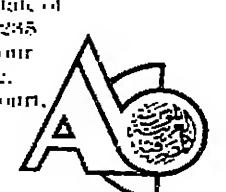
and profits totalled US\$ 45 million. The first half of 1981, us at 30th June, witnessed good growth. The total fixitings reached US\$ 4.294 million, assets stood at US\$ 3.457 million, deposits at US\$ 2.540 million and loans and bonds amounted to US\$ \$77 million.

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BAHRAIN

Signs of Steady Growth Ahead

BANKS WITH full commercial licenses can look forward to a period of steady growth and healthy profits in Bahrain, at least for the first half of the 1980s.

The economy is set to expand at a healthy pace. Real growth is expected to be about 7 percent a year in the first development program (1982-85), which begins on Jan. I next year. This should ensure any slack in the labor market will be absorbed, real income will rise and tastes become more sophisticated. All these trends suggest the market for banking services will grow as

Local banks can expect a continuing subsidy from the banking authorities, which want to insulate the island's economy from high international interest rates. This subsidy, which helps keep lending rates a half-a-dozen percentage points below free market levels, can be expected to decline but not disappear in coming years.

And the government is continuing to protect locally registered banks from fresh compension. No more new entrants are to be allowed for the foreseeable future, and offshore banks are prevented

Without these guarantees to:local banking's future, prospects is the first stage in NBB's move would be bleak. The island's popu- into international banking, says third of whom are expatriates, tive Nooruddin Norruddin. mainly from the Indian subcontinent. The market is also crowded. A total of 19 banks have full commercial banking licenses issued from the Bahrain Monetary Agency (BMA). In addition, there are two specialist banks — the stateowned Housing Bank, which finances home building at concessionary rates, and the Bahrain Islamic Bank, founded in 1979 by a mixture of private and public sector Gulf investors.

Of the commercial banks, only two can be described as national in the sense that they are fully owned by Bahrainis. The largest is the National Bank of Bahrain (NBB) which was founded in 1957, with a 49-percent government shareholding. The bank has progressed steadily, if conservatively, in the past decade. Total assets rose 40.9 percent in 1980 to BD 297 million (\$700 million) in 1980, while profits climbed 30.8 percent to BD 4.8 million (\$14 million). In June, the bank opened an offshore banking

Capital Movement

(Continued from Page 7S) tion that in the not-too-distant future the IMF will turn to other OPEC states for financial support. Kuwait and the United Arab Emirates would be obvious candidates with their strong external positions. It all adds up to a closer relationship between the dollar-surplus Gulf states and the IMF, and this affects the size and scope of the IMF's lending activities in the developing countries.

India, for example, is likely to make use of balance of payments support of up to \$4 billion over three years, and billion-dollar-plus facilities have been offered to Yugoslavia, Pakistan and Zaire this year. What remains to be seen is the extent to which Saudi Arabia will use its leverage within the IMF for political ends. So far the Palestine Liberation Organization has been unable to gain observer status at the IMF-World Bank annual meetings, but it will surely not be long before the issue is raised again. This time, with Saudi pressure from within and strong Third World and Arab support, it could be difficult to

It is also possible that the closer Arab-IMF ties will be paralleled by closer cooperation with the World Bank, which has been critical of Arab countries' aid efforts. In particular, it dislikes the concentration of official development assistance from OPEC countries on a few favored recipients, notably the "confrontation states" bordering Israel. The bank would like to see more funds channeled through multilateral institutions — such as itself — rather than given on a bilateral basis.

Much attention has been given to the prospect of OPEC eventually moving away from the dollar as the currency in which oil prices are fixed. Fluctuations in the value of the dollar have in the past caused sudden rises and falls in the purchasing power of oil revenues, and can distort the oil price structure. One of the frequently suggested solutions - usually raised by OPEC members in periods of falling dollar values — is that the price of oil be denominated in terms of a basket of international currencies such as the SDR. This is not a change that will be made overnight, but the SDR's new image, combined with Saudi Arabia's clear commitment to the role of the IMF, make such a move more likely.

from doing business with the is- unit (OBU), and immediately managed the first sovereign credit to be finalized on the island. This lation is about 360,000 - one- general manager and chief execu-

The second completely Bahraini operation, the Al-Ahli Commercial Bank, is usually placed third in local banking behind the Bank of Bahrain and Kuwait (BBK). Founded in 1971 by a mixture of Bahraini and Kuwaiti investors, the BBK is considered to be the most innovative local bank. Its willingness to move fast was dem-onstrated in 1980 when it opened an OBU. Like the NBB, the bank's profits are very satisfactory, rising to BD 2.6 million (\$6.9 million) at the end of June. Assets totaled BD 490.3 million (\$1.3 billion), a rise of 23 percent on the June, 1980,

Only one other bank has a sigthe Continental Bank, which was founded in 1976 by local investors in a 50-50 partnership with the Continental Illinois National Bank and Trust Company of Chicago. The remainder are the branches of foreign banks, including Chase Manhattan and Citibank, both of

the U.S.; a group of European banks and an interesting mixture of Middle East and Indian subcontinent banks. Business for them is good also, but there is an official bias to the locally owned operations, bankers say. "Because they don't have any local participation, they are not going to enjoy the same benefits," says BBK's managing director Ebrahim Eshaq, "except for the ones who are prepared to take the initiative to set up a new joint venture unit."

Strict Environment

Dominating the banking scene is the BMA, which has created a strict, but widely approved, environment for local banking business. Its approach to local banks is based upon good personal contacts, and the BMA governor, Abdullah Saif, says he prefers moral suasion to a battery of laws as the means to regulate their behavior. The banks' activities are closely scrutinized on a regular basis. Signs of unhealthy lending ratios are usually dealt with over a cup of coffee with senior officials of offending banks who are gently advised to cut or expand as the BMA sees fit. The formula works well, local bankers say.

The BMA has managed to keep the growth in the principal mone-

Bahrain's Growing Third World Ties

A NOTHER first in Bahrain offshore banking was created in June, 1981, with the signing in Manapa of \$50-million credit for the Central Bank of the Philippines.

Lead managers for the only sovereign credit to be finalized so far on the island were the National Bank of Bahrain's offshore banking unit (OBU) - which was opened earlier this year - and Manila-based Allied Banking Corporation's OBU.

This deal should be trebly pleasing to the Bahrain Monetary Agency (BMA). It shows local banks' willingness to expand into international capital markets. It indicates the growing status of Bahrain's offshore banks among less developed country (LDC) borrowers — Philippines Central Bank governor Jaime C. Laya traveled to Bahrain to sign the deal in person. Thirdly, it shows banks from countries not so far represented in Bahrain are prepared to open active offices on the island.

Allied Banking Corporation's OBU, which started operating in August, 1980, is little more than three years older than the parent bank itself. Founded in 1977, Allied had by 1979 become the Philippines' number one privately-owned bank. The move into international banking is comparatively recent. Allied has a representative office in London, another in Sydney and plans to open a full banking operation in San Francisco. The Bahrain OBU is the bank's first full overseas branch, putting a lot of responsibility on the shoulders of An De Liu, the OBU's 32-year-old

Mr. De Liu's experience had been exclusively of domestic banking in the Philippines before he got

the Bahrain posting at the end of 1980. He says business has been developing gradually. By the beginning of April, assets were about \$80 million and rising. Most was placed on interbank mar-kets, while the remainder — about 20 percent of the total - was in syndicated loans. "Interbank is the main market," says Mr. De Liu. Nothing is lent more than six months, which makes earnings lower than they might have been with longer-term advances. We don't expect to make a huge profit out of our first year of operations," he adds. Allied is gearing itself up more to serving sovereign risk clients and Filipino contractors working in the area. Mr. De Liu dwells on the link between the Philippines and the Middle East, "We have a Filipino population in this area of about 100,000 people, and close to 30 companies," he says. "A lot of Filipino companies are also going back to Iraq." Allied is particularly interested in supporting construction companies, like Landoil and CDCP, which are working in the area.

Additional Impetus The Philippines also gets 60-70% of its oil requirements from Gulf states, which gives additional impetus to Allied's attempts to win depo-sits. The priority to start with is sovereign risk, says Mr. De Liu. Then we would look at the private sector in the local market, short term guarantees and that sort of thing."

Mr. De Liu is optimistic about Allied's prospects. "We are a very conservative bank when it comes to it," he says. "I think they [management]

will be happy at the end of the year.

- EDMUND O'SULLIVAN

tary aggregates at satisfactory levels despite the recent big increases in government spending. Money and quasi-money aggregates expanded at a rate of 15-20 percent in 1980 compared with just 2 percent in 1979, when the island was still suffering from the effects of reduced public expenditure. According to the BMA, the wider definition of money supply rose 27.2 percent, mainly reflecting a big expansion in interest-bearing deposits at the expense of demand de-

posits. Bank credit expansion was dramatic in 1980. Loans to residents rose to BD 742 million (\$1.9 billion) in June, 1981, compared with BD 417 million (\$1.1 billion) 12 months earlier. Construction continued to be the most important consumer of bank credit, accounting for 35.8 percent in 1980, followed by trade (26 percent) and manufacturing (12.7 percent).

Nevertheless, there are some major challenges emerging from the growing integration of Gulf economies into the international monetary system. Because Bahrain has no foreign exchange or capital controls, funds are free to move across the exchanges to find profitable arbitrage possibilities. These have been substantial recently. The BMA fixes a ceiling on dinar deposit rates while dollar rates have been close to 20 percent. The result has been a liquidity squeeze, local

To combat this trend, the BMA increased deposit rate ceilings twice in 1980, and revalued the dinar against the dollar to reflect exchange rate movements. In addition, local banks were allowed to issue large denomination dinar certificates of deposit at market interest rates. These have proved to be an attractive, if marginal, shortterm home for corporate funds that might have found their way into dollar deposits, local bankers

Swap Facilities

The most important weapon in the BMA's armory is its swap facilities. This entails buying dollars spot for dinars, and matching this with an identical forward sale of dollars for dinars with the same bank. The deal is arranged at concessionary interest rates, currently 12 percent. The BMA hopes the local banks will charge a reasonable rate for these low cost dinar funds, but the arrangement still entails a substantial subsidy from the gov-

emment to the banks. The result of this and other factors is that banking is proving to

be one of the most successful areas

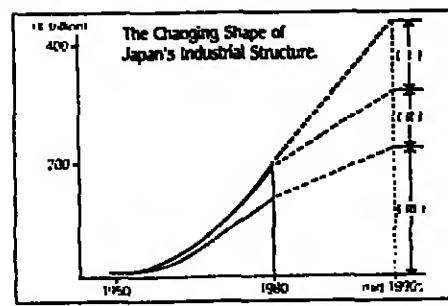
of private sector activity on the island. It is also genninely important to the local economy, says BBK's Eshaq. "The domestic banks are important because they play a big role in all sectors of the economy. he says. The profits of the commercial banks come from participating in all sectors of the economy." Examples are the revolving rollover credit facilities for the Al-

uminium Bahrain (Alba) project. Further major challenges are also on the horizon. The Bahrainregistered Gulf Petrochemical Industries Company (GPIC) plans to raise up to \$250 million to finance its ammonia and methanol project on the island GPIC's chairman Tawfeeg Almoayed says the local banking community may be asked to participate in a syndication that will be co-ordinated by the BMA. The deal could be similar to the \$300 million loan for the State of Bahrain which was used to pay for the acquisition of 60 percent of the Bahrain Petroleum Company (Bapco) refinery last year. Other new industrial projects on the island — such as the pan-Gulf hydrocracker — may choose to tap local markets in the same way, providing a further reason why Bahrain commercial banking has a

bright future. -EDMUND O'SULLIVAN

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Agriculture and Fishery, Construction, Bectric Power and Gas. Wholesale and Retail, Finance and Insurance, Services, etc. (Source Agency of Industrial Science and Technology, Milli)

- Key areas of growth will be Electronics (office automation equipment, computer mainframes, microcomputers, semiconductors), Life Sciences (genetic engineering), New Basic Materials (transformation of metals, organic materials, ceramics), and New Energy (nuclear, solar, geothermal, etc.).
- Japan's Ministry of International Trade and Industry (MITI) is committed to raising to 4.0% the ratio of R&D expenditures to GNP by 1986-1990 — one of the highest ratios in the world. Specifically, MITI itself intends to appropriate ¥100 to ¥120 billion
- over the next decade for R&D on next-generation industrial technology.
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Rafidain Bank Becomes the Largest in the Islamic Community, Moves Onto World Scene

By Shakib Otaqui

A NEW name may soon appear on the "tombstones" that are regularly printed in the financial press, listing banks participating in syndicated loans and bond issues. Rafidain Bank; the sole commercial bank in Iraq, is preparing for direct involvement in world financial markets. Until now, it had restricted itself to the local market and to processing Iraq's foreign made transactions.

Rafidain Bank has raised its capital to 50 million Iraqi dinars (\$167 million) from its previous 30 million dinars: the government is balance sheet total, which, including contra accounts, exceeded \$20 billion in 1979. This made Rafidain easily the Arab world's largest bank, it entered The Banker magazine's list of the world's 500 largest banks for the first time that year in 155th place. The bank now claims to have moved up to 122d place by end-1980, although its re-

tentative entry into world financial markets through its holdings in a number of Arab consortium banks, including the Paris-based Union de Banques Arabes & Francaises (6.45 percent), the Cairo-

* Sharp

based Arab African International Bank (10 percent) and the latter's subsidiary Al-Bahrain Arab African Bank (1.283 percent). Rafidain recently announced plans to open branches in San'a, Amman and Tunis. These will supplement its existing branches in London and seven other Arab countries, bringing the branch network to 216 at home and abroad.

In recent years, deposits have been the bank's main source of funds, accounting for almost 90 percent of assets (excluding contra accounts). Government and public sector entities account for about half the total. But the bank is also the only shareholder. This was also actively seeking deposits from pridone to support the bank's soaring vate individuals, more than 65 percent of which are held in the form of time and savings accounts. To encourage them further, the bank offers a free lottery and life insurance of 2,000 dinars for the holders of such accounts.

Liquidity Ratios High

Rafidain maintains very high liquidity ratios, with almost half of Rafidain has already made a vestments are very limited, mainly in government securities, while foreign investments are minute. Rafidain's real forte is in processing letters of credit, guarantees

and performance bonds. Letters of

guarantee totaled 1.923 billion di-

nars at the end of 1979, while documentary credits totaled another 1.429 billion. This accounts for the anomaly of the bank's extraordi-

narily large contra accounts. Until the outbreak of the Gulf war. Iraq had an enviable reputation for promptness in paying its bills. Indeed, some exporters were willing to ship goods without even the protection of an irrevocable letter of credit. This has become thought to be firm. Kuwait alone rare recently as the war has imposed strains on the country's liquidity.

Almost half of its assests are held in the form of cash...

about \$35 billion in 1980 and are now thought to have dropped to \$15 billion to \$20 billion. In an effort to maintain development despite the war, spending has been at quidity ratios, with almost half of a frenetic pace. The \$15 billion assets held in the form of cash at worth of contracts awarded in the banks, on call or short notice. In- first half of this year already exceeds the \$12.5 billion for the whole of 1980. Planning Minister Taha Ibrahim recently estimated total spending at not less than \$133 billion for development dur- to be as much due to inefficiency ing the 1981-1985 plan. Spending in handling the enormously inon imports, particularly of con- creased paperwork involved as to

sumer goods, has beened, with Baghdad now better supplied than in prewar days.

Oil production is thought to stand at 1 million barrels a day. about one-third of the prewar level. To avoid too drastic a run-down of financial reserves, Iraq has arranged about \$12 billion in interest-free loans from other Gulf oil producers, of which \$5 billion is has provided an interest-free 10year loan of \$2 billion.

To preserve the appearance of

Iraq's financial strength, Finance Minister Tamer Razzouqi said that Kuwaiti and other loans were a spontaneous expression of solidarity from Iraq's Arab neighbors. This was somewhat contradicted by the Kuwaiti decree approving the loan, published in the official gazette over the signatures of Mr. Razzouqi and his Kuwaiti counterpart, which said that the loan was in response to a request from the Iraqi government

friends — Iraq is in a reasonably strong position to pay for its ambitious development program. There have been signs recently of delays by Rafidain Bank in paying on letters of credit, but these are likely

that — with a little help from its

any financial difficulty. The situation may improve with the installation next January of a computer ordered from France's CII-Honeywell Bull.

Within Iraq, Rafidain's only competition comes from three state-owned specialized banks, of which the largest is the Real Estate Bank. That bank has a capital of 500 million dinars, and granted loans to individuals totaling 1.173 billion dinars in the 12 years to 1980. Another 334 million dinars was lent to 91,000 people in the first six months of this year. Interest on such loans was abolished in May, 1980. The bank has become a significant outlet for excess liquidity in public sector institutions, which are increasingly tending to

place their funds with it. **Agricultural Funds**

The Agricultural Cooperative Bank recently raised its capital to 150 million dinars, allowing it to lend 520 million dinars this year. The bank has worked closely with Nevertheless, the indications are the Agriculture Ministry to widen its services for farm mechanization, poultry projects and the development of orchards. It has been particularly involved in providing low-interest loans to finance the purchase by farmers of tractors imported by the ministry.

The Industrial Bank, capitalized at 50 million dinars, is closely affil-

inted to the State Organization for Industrial Developments. In a country where most industrial investment is done by the public sector, it is largely limited to financing some minor projects carried out by the private sector. Its role may become more important if the government fulfills its promise to encourage private industrial enter-

prises in some carefully defined

This somewhat primitive banking system is closely supervised by the Central Bank of Iraq, which carries out the usual duties of a central bank. Until recently, there was little need for the bank to handle government borrowing — in mid-1980, advances to the public sector amounted to only 2.1 million dinars out of a balance sheet total that reached \$8.84 billion. Foreign exchange controls are strict, and private investment abroad is limited mainly to Arab

countries. Iraq's intrinsic wealth makes this unsophisticated system adequate for handling the country's financial transactions. While the war has substantially reduced oil revenues, the oil remains in the ground, appreciating in value. Heavy industrial investment will eventually reduce the need for imports and may even start to generate significant non-oil export

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Middle East Banking **Specialists**

Government Bid to Put Priority on Resolving National Economic Problems Expected Soon

By Robert Bailey

CUDAN, which has been on the brink of national bankruptcy for many years, is likely to make a fresh start to put its economy on a sounder footing in the next few months.

The country's banking system has survived in spite of the trauma, more for the vast promise of its future development than for existing business. There are 29 commercial banks and financial institutions. including branches of the Arab African International Bank of Oman. the Banque de l'Union Européenne. Chase Manhattan Bank and Citibank. There are considered to be more than reasonable profits to be made from short-term funding for private sector banks not overdue on letters of credit and who are also not participants in the debt rescheduling exercise.

the Sudan National Bank, capitalized at \$20 million, is to open in

possibility of opening branches in

The rescheduling involves debts of more than \$420 million plus interest of more than \$40 million owing to commercial banks abroad since the end of 1979, and of \$30 million accruing in the period to June 30, 1980. The protracted negotiations with the banks involved are expected to be completed and an agreement ready for signature by November.

British Bank

Executives of the British merchant bank Morgan Grenfell have been advising the Central Bank of Sudan during the negotiations with a group of five banks representing bor). the creditors. The banks are Chemical Bank and Citibank, both of the United States, Arab African International Bank, Deutsche A new commercial institution, Bank and the Union de Banques Arabes et Françaises.

The verification exercise has

are thought to be looking into the of the geographical spread of the creditors, who on each point discussed have to coordinate with their individual legal advisers.

> The broad terms of the draft document being discussed with the commercial banks concern \$40 million of the \$170 million in current debt and interest to be paid within 60 days of an agreement being signed. The balance is to be paid in nine equal installments within three years of signature. The remaining debt principal is to be paid in 17 equal installments starting after three years, with final repayment seven years later. Interest is to be paid quarterly in arrears at 1%-percent above the London interbank offered rate (Li-

Energy Costs

The rescheduling is part of a three-pronged stategy to assist Sudan, which has faced persistent balance-of-payments difficulties for 25 years. The government has 1982. Two other Western banks been extended, not least because the unenviable record of ineffec-

tive budgetary control and continually underestimated expenditure. Like most developing countries with unexploited mineral re-

sources, Sudan has also been hit hard by the rise in hydrocarbon prices. In the previous fiscal year, imports of gasoline and other refined products cost \$440 million, almost equal to the total value of Sudanese exports. In November, 1979, the member countries of the Organization of Economic Cooperation and Development in the Club of Paris agreed to write off debts owed to their governments. The third substantive measure; when agreed to, will be the rescheduling of about \$450 million owed to foreign companies by Sudanese importers. Morgan Grenfell has made recommendations to the Bank of Sudan, and an an-

nouncement is expected soon. Remedial action is being sought to end a long period of what has been little more than crisis management, and to concentrate on development. Creditors would

have been unlikely to discuss rescheduling with Sudan unless, as happened, policy guidelines suggested by the International Mone-

tary Fund were accepted. The IMF agreed to a 200-million-special-drawing-rights (\$227million) facility in May, 1979, as part of a three-year economic and financial reform program due to have been carried out by November, 1982. The facility was increased to 427 million SDRs late in 1980. Sudan's discussions with the IMF this summer have been aimed at obtaining a further increase of 200 million SDRs, bringing the country to its 475-percent limit according to its IMF quota of 132 million SDRs (\$150 million).

One of the stipulations for previous IMF agreements has been stringent restrictions on creation of credit by the public sector as well as agricultural changes. The 1981-1982 budget envisages government revenues at 1.731 billion Sudanese pounds (\$2.163 billion), although bankers estimate that the

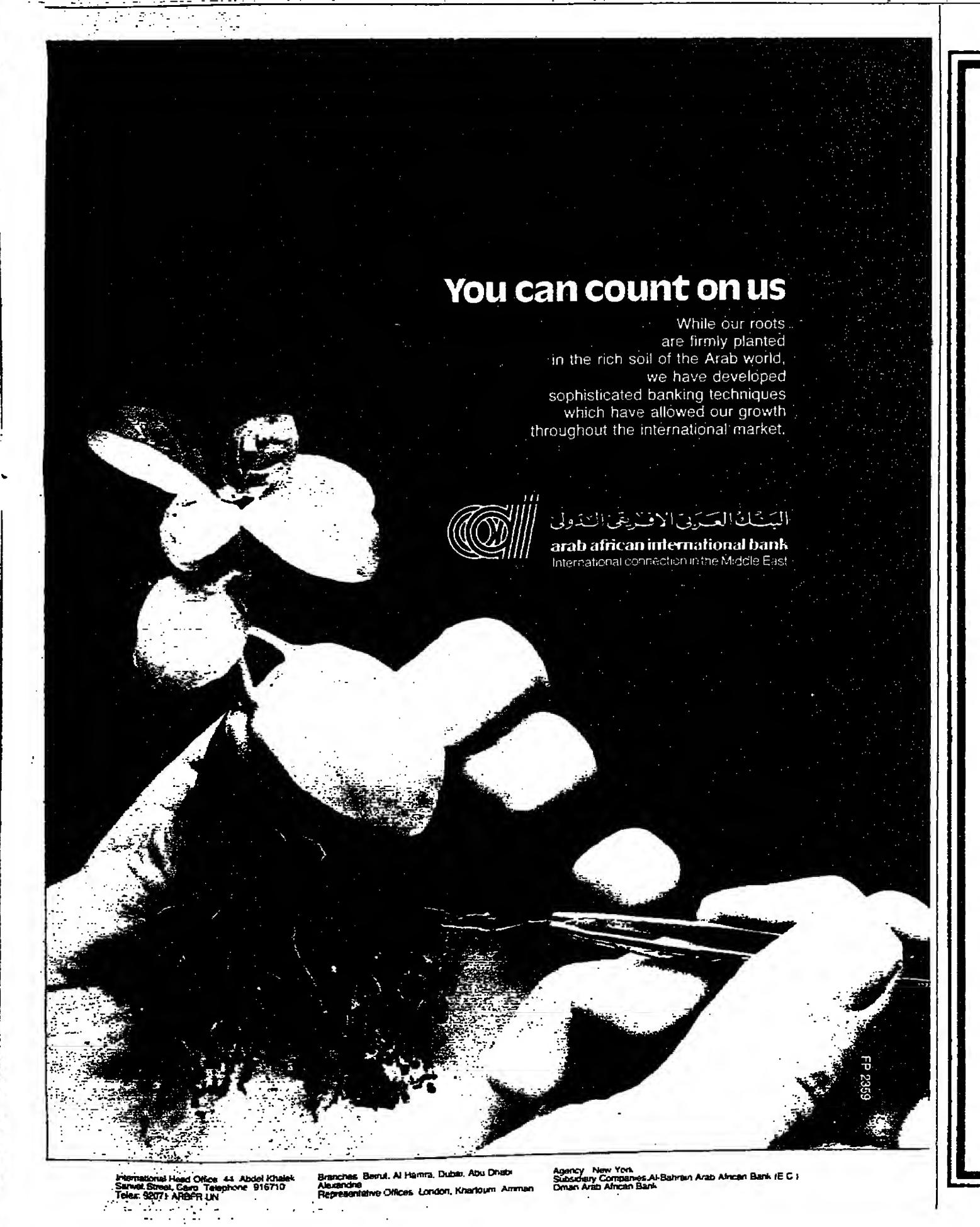
delicit will reach \$700 million. The least optimistic say that in the future Saudi Arabia and other Gulf states cannot be looked on as lenders of last resort. The drift toward overt support for Egyptian President Anwar Sadat's foreign policies, it is argued, will not have endeared Sudan to these states.

The long-term prognosis for Sudan's financial system is bound up with prospects for development projects. Some of these, like the Kenana Sugar Co.'s cane estate and sugar factory, opened at the end of April, and Chevron Oil Co.'s exploration program, the latter to cost \$70 million, are spectacular. Chevron's concession of 112,000 square miles, covers one of the largest remaining unexplored areas in the world.

With the completion of debt rescheduling, it will be up to the government to prove that it has the imagination and the commitment to exploit Sudan's much delayed



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French Are Leaving Boards of Companies in Region

(Continued from Page 7S) banks have been very special in the international banking world, Some have been more heavily involved in - commercial banking, others in in-- vestment banking. They were a considerable force throughout the - 1970s in financing French-Arab trade and helping Arab investment

in France, mainly big real estate deals in Paris such as the purchase of large parts of the Avenue des Champs-Elysees and the Avenue

Heavy Arab investment in Paris has stopped for the time being. However, there is considerable trade in shares, oil and other com-

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tium banks will continue along these lines with UBAF perhaps more in commercial banking, BAII in investment and Frab in commodity finance and foreign ex-

change.
All are doing well, despite the recent changes. UBAF, which

modities. The restructured consor- made 38 million francs profit last year compared with 30 million in 1979, says results for this year should be up. Frab is running 20 percent up from last year, and BAII is also showing improve-

> Frab was the first of the consortium banks, but UBAF later became the biggest with a 40 percent Credit Lyonnais holding. UBAF was once virtually a branch of the Credit Lyonnais, but the situation has now been reversed, with the French maintaining a stake in the French part of UBAF.

Credit Lyonnais sold off to Arab interests its 30-percent re-maining bolding in UBIC, the Cu-racao- and Netherlands-based holding company set up five years ago by Mohammed Abushadi, the former governor of the Egyptian Central Bank and UBAF chairman since its inception, Mr. Abushadi has long sought to put "more order" into the worldwide structure of his bank. UBAF top direction is now 100 percent Arab. It has local participation in subsidfrankfurt, Rome, New York and Hong Kong, and has branches in Seoul and Bahrain, with one

planned in Singapore.

UBAF says the new arrangement has made the bank less complicated and will enable it to pursue a single strategy — one holding company owned by Arab interests and a series of affiliates.

As one French banking source commented: "They have grown up. They want to live their own lives and fly with their own

UBAF is still the big name in Paris with prominent roles in organizing loans for Mexico, South Korea, Morocco, Cuba, Nigeria, Argentina and Brazil, but BAII has a reputation based partly on its skill in acquiring real estate in France on behalf of Arab inves-

BAII says it is not going to follow the Arabization example of UBAF and Frab. Yet it has sold its interest in Dean Witter Reynolds in the United States in order to open its own New York office. The same change is likely with the Hill Samuel link in London. There are 38 Arab and international shareholders, and one BAII officer remarked: "We are a happy combinaton of the old banking establishment of the free world and of the new petrol money." Yet the Arab domination is

strong. Abdel Latif Hamad has departed from the chairmanship to become finance minister of Kuwait, but he is to be replaced by Salim Hoss, former premier of Lebanon

New Commodity Licensing System Hailed

By Edmund O'Sullivan

THE COMMODITY and precious metals licensing system introduced by the Bahrain Monetary Agency (BMA) in July this year has been warmly received by banks doing business in the region. Early recipients of deal licences are Banque de l'Indochine et de Suez of France, Bahrain-based Gulf Riyadh and Gulf International Bank (GIB); Credit Suisse, Swiss Bank Corp. and Luxembourg's Kredietbank, and two investment banks - Trans-Arabian Investment Bank (TAIB), and BAII (Middle East). E.F. Hutton of New York has been granted a broking licence.

The system introduced by the BMA is considered to be strict by international standards, but suitable for Bahrain, which serves a region where recent movements in precious metals markets had produced some disillusion among investors about commodity markets in general

The rules are clear; dealers can trade on their own account and for others, while brokers will not be allowed to deal as a principal or hold positions, spot or forward, in precious metals and commodities. Offshore companies will be allowed to trade with residents of Bahrain and nonresidents, provided deals are no less than 200 fine ounces of gold, or 5,000 fine ounces of silver.

A second category of dealers is recognized. These are "exempt traders" in commodities for manufacture or processing. They will be supervised by the Commerce and Agriculture Ministry. The BMA's supervision of licerised dealers and brokers will be tight. They are required to report monthly and submit fully audited annual accounts. The rules are particularly strict for dealers that are not licensed

banks. Paid-up capital must be BD 500,000 (\$1.3 million), and BD 250,000 (\$650,000) worth of guarantees given to the BMA. Margins for all traders are high. Clients have to pay BD 4,000 (\$10,000), or 10 percent — whichever is the greater — of unmatched gold futures contracts. For silver, the margin is BD 5,000 (\$13,000) — three times the maximum daily price movement permitted by the New York

Commodity Exchange (Comex) for each unit traded is required for other commodities.

The strictness of the regulations, which is considered to be very much in line with the BMA's other banking rules, means that only reputable operators will consider paying the BD 6,000 per year (\$16,000) for a broking or dealing licence. It is a formula that has pleased OBU's already offering a commodity investment service on the island. They say they believe it will prevent the imprudent and

unscrupulous from damaging the development of willingness among

local savers to invest in commodities. Some of the world's biggest operators in commodity markets are already present on the island. The two Swiss banks are active in gold, along with E.F. Hutton. Merrill Lyuch International and Company. which has an investment banking licence, is attempting to develop interest in all possible investment vehicles. So far, the precious metals have been the most popular, though some investment potential is

emerging in a wider range of commodities. The BMA, and licensed dealers and brokers, say that the flow of funds passing through Bahrain for investment in commodities is still relatively light. A good proportion of local business is taken out of the area by visiting bankers such as the Union Bank of Switzerland (UBS), and Britain's M.L. Doxford and Company. There is also limited understanding of all the delightful subtleties of the market. One of the most attractive is the absence of explicit interests on money invested in commodities.

Commodity markets also lack two-way interest, the necessary prerequisite for a mature market. Experienced commodity specialists like Tico Barundun, manager of Credit Suisse's OBU, say that it will take at least two years before Bahrain begins to rival Hong Kong and Singapore. The consensus is that the longer-term prospects are much brighter, particularly once investors understand that commodities can provide a relatively risk-free stream of market rate earnings with no loss of liquidity.

Bank Sets a Goal

(Continued from Page 7S)
Libyan Arab Foreign Bank. He negotiated Libya's shareholding in Fiat and is on the board of the Italian company and of its vehicle

subsidiary Iveco. Mr. al-Sandi's other director-ships include Union de Banques Arabes & Françaises (ABAF), Un-ion de Banques Arabes & Nipponaises (UBAN), Union de Banques Arabes & Europeennes (UBAE), Arlabank (Peru) and Banco Arabe Espanol. He is also deputy chair-man of Arab International Bank in

ABC's chairman, Mr. Abdel-Wahhab Ali al-Tammar, is also chairman and managing director of the Kuwait Foreign Trading, Contracting & Investment Company. Other directors of ABC are Shaikh Fahd Mohammad al-Sabeh, Shaikh Ali Jarrah al-Sabah, Mr. Wahid Omar Bughighais and Mr. Mohammad al-Moghrabi. In charge of loans and sydications is Morven Hay, formerly with the Jeddah-based National Commercial Bank.

Strategy

ABC has given priority to investment, syndicated loans and trade finance. Mr. al-Saudi em-

phasizes that the bank does not aim to compete with smaller banks. He says that part of the strategy has been to provide new and more flexible facilities than the simple syndicated loan, facilities that the client can choose if he wants to use, partially or wholly according to his short-term needs.

To be seen as a "bank of banks" in the Arab world was the target at the beginning. ABC's successful establishment in the international loan market and balance sheet, which on June 30, 1981, showed assets of \$3.457 billion and depo-sits of \$2.540 billion, seem to illus-trate that it is well on the way to fulfilling its ambitious aim.

Correction

IN LAST Friday's special supplement on banking and finance in Latin America, it was reported that the Arab International Bank (AIB) was one of Arlabank's two largest shareholders. In fact, AIB owns 2.5 percent of Arlabank's shares, while the Libyan Arab Foreign Bank and the Kuwait Foreign Trading, Contracting and Invest-ment Co. are the two largest share-

holders, with 12.5 percent each.

Petrodollar Fears

(Continued from Page 7S)

States — and other industrial countries — OPEC members have fairly recently begun to seek safe investments in the Third World. Kuwait has again led the field, with large investments in joint-venture projects in Asia, other Arab countries and Latin America. In many of these, Kuwait acts through investment companies or merchant banks in which the government has substantial or majority holdings.

These investments have supplemented OPEC concessionary aid to developing countries. The seven Arab OPEC members gave an average of 2.65 percent of their gross national product in 1980, seven times more than the average for 17 countries belonging to the OECD Development Assistance Committee.

In addition, Arab banks have greatly increased their lending to the less developed countries (LDCs). They are also increasingly taking over from Western banks the role of recycling oil revenues, particularly through the Euromarkets.

The Bahrain-based Arab Banking Corp., which was only incorporated last year, is now in the top 10 of world banks lead-managing syndicated loans. It lead-managed loans totaling about \$9.5 billion in the first half of 1981, followed by Gulf International Bank with \$6.7 billion. Between them, the two have outpaced Chase Manhattan Bank, which, with \$15 billion, remains the most active lead-manager.

The growth of Arab international banking has been a relief to Western banks, which by the late 1970s had become concerned at the extent of their sovereign risk exposure in developing countries, which needed to borrow heavily to finance their oil deficits.

The share of non-oil producing, non-Islamic LDCs in Arab bank lending has soared from 3 percent in 1976 to 32 percent in 1980. In absolute terms, total lending more than tripled during the period. Much of this is done by national or consortium banks in which governments have substantial holdings, and often reflects political as much as financial considerations. Arab institutions, for example, have maintained their lending to countries such as Brazil, which Western bankers increasingly feel is too risky a borrower.

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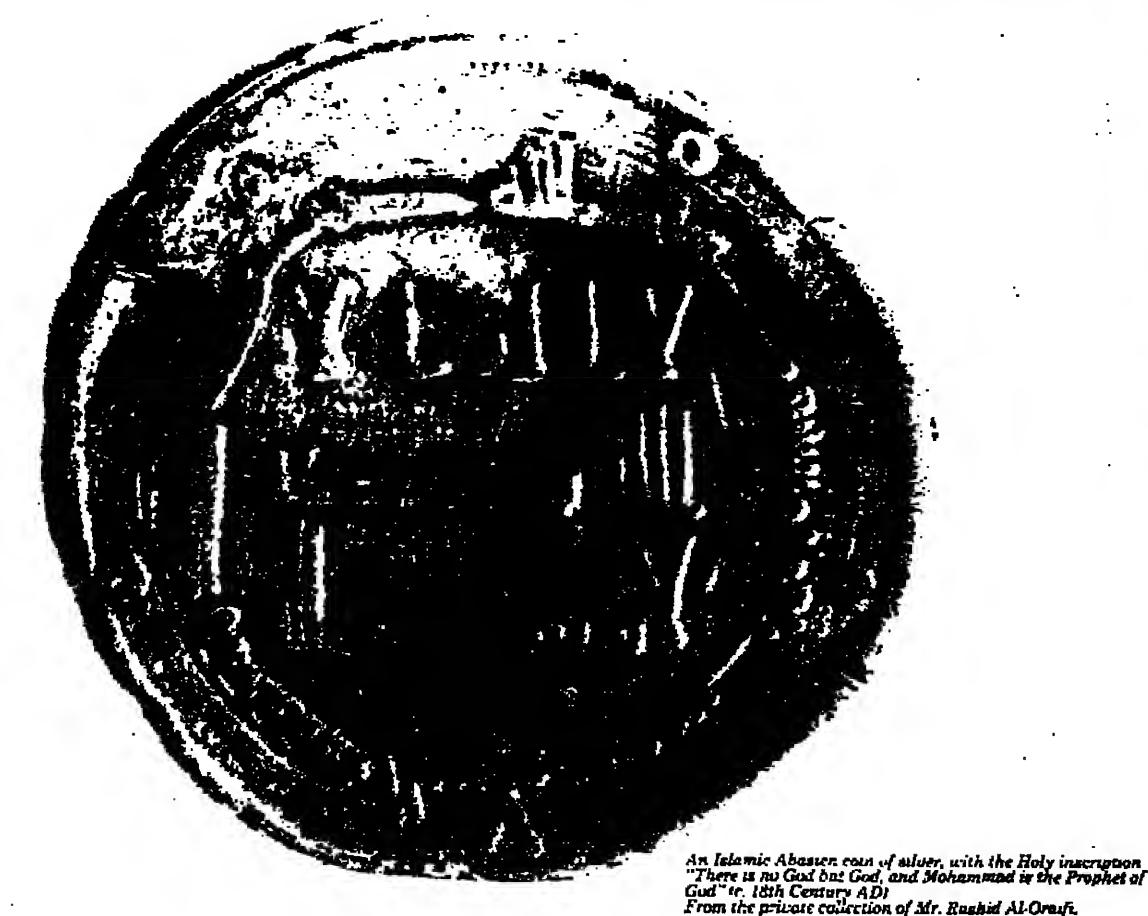
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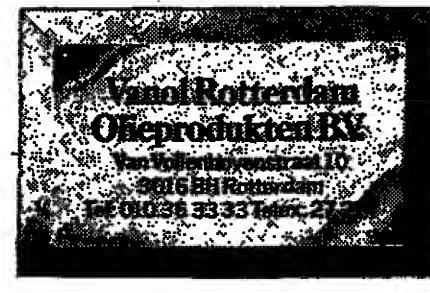


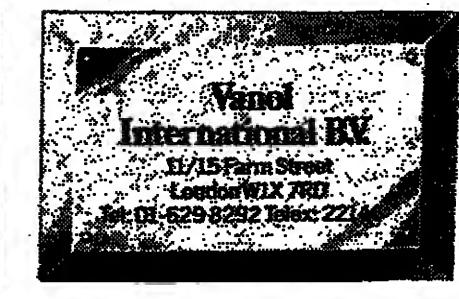
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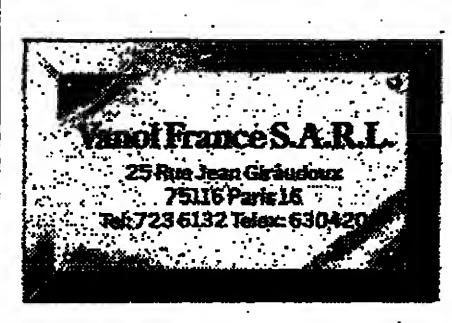




















in the ARAB WORLD

Finally

Hailen

By John Roberts.

TORDAN'S FINANCIAL and banking sectors have expanded considerably in recent years. In 1978, the Amman Financial Market -or stock exchange - opened its doors for the first time. In 1979, the first locally syndicated loans were raised. In 1980, deposits with commercial banks recorded a 36.3

percent increase.

But while the underlying trends

remain healthy, none of the banks
and finance houses can afford to
be complacent. In 1980, commercial credit rose by only 21.2 per-cent, to 563.9 million Jordanian dinars (\$1.8 billion), from JD 465.1 million (\$1.5 billion) at the end of 1979. This was much lower than the 39.7 percent growth recorded during 1979 and shows that the moves to carb money supply intro-duced in June, 1979, were having some effect.

In order to encourage investment, the Central Bank of Jordan on July 26, 1981, issued a circular that requires commercial banks to bring their participation in government bonds and bills, and related securities, to 10 percent of the volume of their deposits. Merchant banks were required to ensure that five percent of their deposits were used in this manner.

The move increased the impact of measures ordered the previous month, when the government had first sought to introduce fresh measures to push surplus dinars into investment. In June the commercial banks were told to channel three percent of their total assets into treasury bills and five percent into development bonds or issues floated by public corporations and issued through the Central Bank of Jordan. But in July these figures were raised to four and six percent respectively. The net effect of the measures should be to raise commercial bank participation in such instruments from a comparitively low level of JD 75 million (\$223 million) by the end of this year,

Government Involvement Government involvement in the suggestion that high interest rates be encouraged to control credit, and interest rates have remained low by world standards. However, the banks' ability to increase interest rates to meet market conditions was assured in 1979 when the au-

No Room for Complacency Despite Expansion Of System, Healthy Trends in the Economy

thorities removed a nine percent value when the bank was founded interest rate ceiling imposed when the country was under Ottoman Turkish rule.

Central Bank officials argue that the absence of strict controls has helped the development of the banking system, since it has encouraged ordinary people to use

The bank's role in transforming Jordan into a money-oriented economy is thus crucial — but there are signs that much work has still to be done. Central Bank officials believe that perhaps only 30 to 50 per cent of all remittances from Jordanian and Palestinian expatriate workers are sent through regular banks. In 1979, such remit-tances totalled JD 180.4 million (\$611.5 million), while in 1980 they rose 28 per cent to JD 236.7 million (\$802.4 million) — and the trend for 1981 was even better, with JD 86.2 million (\$278.7 million) in remittances during the first

quarter alone. In order to encourage a further increase in remittances — and to end the flow of "suitcase" money from expatriates who prefer to remit their own funds in person the ceiling on foreign currency deposits was raised in May, 1979. The growth in remittances has also increased the money supply at a faster rate than Central Bank officials had expected. But the moves to raise investment requirements should help resolve the problem.

The commercial banks are confident of a successful future. Petra Bank recently became the first bank in Jordan to computerize its operations fully. In July, 1981, it won approval from the Central Bank to issue a credit card to account holders. This will be done in conjunction with Visa International. Since its foundation just three years ago it has become the fifth largest of Jordan's 17 commercial

Petra Bank, in which Beirut's Middle East Banking Company (MEBCO) and the Geneva-based Socofi each hold a 20 per cent stake, is known for its innovative banking system has, generally, procedures: It first succeeded in been orthodox. There has been no securing many of its account holders by offering them a free life-insurance plan with all savings accounts. Its success can be gauged from the fact that its shares, quoted on the Amman Financial Market, are regularly traced at about two and a half times their original

Islamic Banking System

(Continued from Page 7S)

of the payment comes from profitbut little-prospect of commercial viability. This, Mr. Abdul Qader said, is the role of the development agencies. The IIC seeks instead to help the private sector become es-

When a project is proposed, the company carries out a feasibility study and, if satisfied, will put up a part of the share capital. As the project develops, the partner is expected to buy out the IIC's holding, thus returning company funds for further investment. Should the project be insuccessful, however, the company can send in a man-agement team, buying out the orig-mal partner and thus protecting its

The strength of this system is that the company's funds will be in constant circulation, offering opportunities to new entrepreneurs—all intended to help economic growth in the Islamic world and thus to promote learn terms. thus to promote long-term, profita-ble markets less dependent on the West. In addition, the entrepreneur - who under normal financing arrangements would risk mortgaging his future to pay escalating interest on bank loans — finds himself with working capital available and no interest, only a

small initial servicing fee; the rest

Mr. Abdul Qader believes that the key to all this is the small investor. Although each may not have a lot of spare cash to invest, the total potential capital is enormous. More importantly, he said, as the system develops the small investor will see his money at work and may even benefit in job oppor-

It should be added that the major drive taking place among Arab and Islamic countries to intensify infrastructural development with funds from the oil-producing states provides a vital backdrop for the Islamic Investment Co. in the private sector.

MOST of the articles in this special supplement were written by members of the staff of the Middle East Economic Digest. Other contributors are Alan Tillier, a British free-lance journalist based in France, and Ken Whittingham, foreign news editor of the Qatar News Agen-

The most venerable — and influential - of all Jordan-based banks remains Arab Bank, Founded 51 years ago, Arab Bank has spread throughout the Arab world to meet the needs of the Palestinians. Yet Arab Bank is more than just a Palestinian bank. With balance sheet footings of around \$7 billion, it is the second largest bank in the Arab world. In 1980, despite losses incurred from the Saudi-ization of its three branches in Saudi Arabia, it still secured both increased profits and, more importantly in a society geared to asset increases, a rise in deposits. The 1980 consolidated balance

per cent respectively above 1979

Arab National Bank These results were achieved despite the Saudi-ization of the Saudi branches - in which Arab Bank now has just a 40 percent share in tional Bank. These had contributor 22 percent — to the 1979 con- ment lower than 20 percent." solidated balance sheet. Arab Bank has also survived a variety of other crises, notably the closure of its branches in what is now Israel, following the creation of the Jewish state in 1948 and the 1948/'49 Arab-Israeli war, the loss of its branches in the West Bank after The QMA also wants the power to the 1967 war and a financial crisis

during the 1973 Arab-Israeli war. Yet it has not merely survived, it has thrived, building strongly on its reputation as a bank that will pay depositors promptly, both in good times and in bad. As a result, tion in 1973, the QMA was widely its custom and operations have regarded as little more than a curspread far beyond the original Pal-estinian clientele that opened ac-counts when Abdful Hammed quarters on the Doha Corniche, it Shoman founded the bank in Jerusalem in 1930.

Arab Bank's offshore banking unit in Bahrain has become lead manager for the biggest series of at the end of 1979 when it helped construction guarantee facilities to the government take control over be syndicated by any of the Saudi construction companies. The rates previously had been regulat-OBU, under senior manager Makhram Rahal, has now arranged seven such guarantees for the Saudi Oger company, one of which alone was worth more than 1,000 Saudi Riyals (\$292 million).

Global Expansion

looking at the possibility of start- as 15 percent. ing up operations in Latin America. It also has an offshoot in Switzerland, Arab Bank (Overseas) Ltd. and a merchant bank in Lon- ers feel the new system is not flexidon. Yet the bank remains more ble enough to bridge the large gap cautious, less thrusting, than some between local and international inof the Arab world's newer billion- terest rates and thus help to stop dollar banks, and retains an air of the exodus of surplus capital.

Amman, still expanding rapidly, nurtures the dream of becoming a major center for Arab banking. Arab Bank has shown the Jordanian capital can be a good place from which to build a thriving business, and the success of the other commercial banks provides further proof. Moreover, the nature of Jordanian banking operations is expanding, and specialized facilities are becoming available. The Arab Finance corporation and the Arab Jordan Investment Bank were set up in 1979 as mixed Arab were set up in 1979 as mixed Arab-Jordanian ventures, while Islamic Bank has been set up to cater for customers who wish to use banking facilities in accordance with strict Islamic tenets, in which prof-it sharing is allowed, but interest is

QATAR

By Michael Petric-Ritchie T HAS been a long process but the Qatar Monetary Agency

many of the attributes of a central Its powers have grown considerably in the past two years and government approval is expected soon on a package of fiscal measures designed to give it added muscle in

dealing with the banking sector.

Most importantly, the measures will help the QMA to tackle the liquidity shortages experienced periodically by the financial sector here and in other Gulf nations in recent years, caused largely by an outflow of funds attracted by higher interest rates overseas.

stood at JD 2.2 billion (\$7.1 bil-QMA Director-General Majid lion), with assets totaled at JD 1.4 al-Majid says he expects the gov-ernment to give the go-ahead for billion (\$4.8 billion), 12 and 18 the QMA to fix reserve requirements for the country's banks that will make any overseas deposits by them prohibitively expensive. Mr. Majid talks in terms of having the power to require banks to keep up their new guise as the Arab Na- liquid assets, but he is quick to point out, "We will, of course, ed JD 420 million (\$1.4 billion) - start by fixing the reserve require-

The QMA is also seeking approval to start a discount opera-tion "for certain commercial papers," Mr. Majid says. This move, which would give banks access to short-term funds, appears to be popular with many Qatar bankers. extend soft loans, both mediumand long-term, to help banks through serious liquidity shortages.

QMA's Growth

had a staff of only six. This has since grown to 115, about onethird of them Qataris.

Its authority was given a boost the fixing of interest rates. The ed by a gentleman's agreement between the commercial banks. Deposit rates now vary from 3 percent for seven-day deposits to 6.5 percent for deposits of longer than one year, with a maximum of 7 percent paid for deposits of more than 100,000 Qatar rivals. Lending Arab Bank has expanded across rates are fixed at 7.5 to 9.5 percent, the globe. It has branches in Brit- and the interbank rate, which is ain, France and Greece and is es- not fixed, averages about 10 pertablishing one in New York and cent, although it has gone as high

> While these rates are roughly the same as those under the previous interbank agreement, many bank-

familiarity that may well serve it The QMA recognized the probbetter in the years ahead than any lem and in 1980 urged the raising flashy display of its undoubted fi-nancial muscle.

of the interest rate ceilings by 1 percentage points. But the povernpercentage points. But the govern-ment remained firm, arguing that high interest rates would harm lo-cal trade and push inflation up.

ment deposits, but the largest por-tion of state business is done through the Qatar National Bank

QNB is 50-percent government-owned and dominates the nation's commercial banking. At the begin-ning of this year it accounted for

Monetary Agency Begins to Exert Power, Government Backing Increased

60 percent of all deposits and 36 percent of bank-lending in Qatar. it claims a deposits-to-advances ratio of less than 60 percent, which compares with the 85 percent of the British-owned Chartered Bank. (QMA) is finally starting to show QNB is the only Qatari-owned bank with offices overseas. Its two branches in London and one in Paris handle most of its foreign

business, though this has been reduced since escalating interest rates prompted the government last year to prepay two QNB-arranged Eurodollar loans totaling more than \$100 million. "We have been conservative in international business because of the uncertain-

ty of international interest rates," says Qahtan Masri, QNB's assistant general manager.

Although the bank's profits rose by 10 percent in 1980 to 63.7 mil-

The QMA at first was regarded only as an issuer of currency.

lion Qatar riyals, QNB had an otherwise indifferent year. Total assets and liabilities fell by 20 per- Chartered Bank, which became

cent to 4.255 billion Qatar riyals. We don't believe in window dressing." Mr. Masri says. "There was reduced demand for credit during the year, but our figures were made worse when the government paid large sums of money to contractors at the end of 1980."

All of Qatar's banks are looking for better results next year after steady growth in 1981. This year is the first since 1977 that the govern-ment has significantly increased its expenditures. "But it takes about one year for the increased funds to filter into the economy," says James Kemp, manager of the

Qatar's first bank when it opened a branch here more than 30 years ago. The banks have had a particularly lean period since the government cut expenditures severely in mid-1977 in a move to fight inflation, then at 35 percent

Prominent in all discussions with Qatar bankers are the country's plans to develop the natural gas reserves of the offshore North Field (formerly called the North West Dome). After several years of delay, the project is now moving and looks likely to reach a total investment of close to \$6 billion, including the building of a liquefied natural gas plant,

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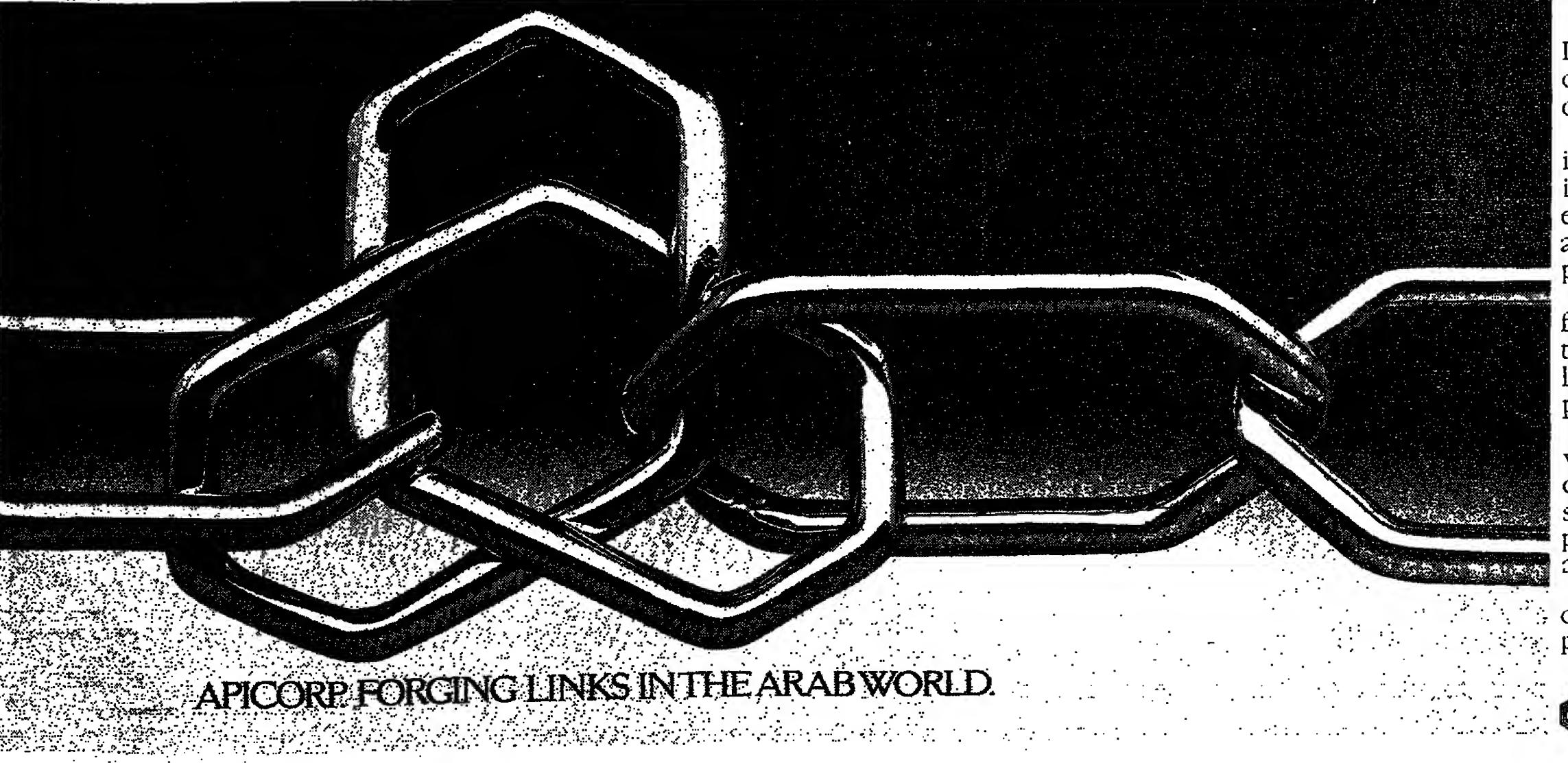
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Banking and Finance in the ARAB WORLD

Government Seeks to Inject New Life in Highest Management Circles

By Michael Frost

A RECENT, comprehensive reshuffling of the heads of Algeria's major financial institu-tions is symptomatic of the gov-ernment's current keenness to inject new life into the management of the country's finances.

There have been changes of governor at the Banque Centrale d'Algerie (BCA) and of director-general at the state investment bank, Banque Algerienne de Developpement (BAD), and the three state-owned commercial banks— Banque Exterieure d'Algerie (BEA), Banque Nationale d'Alger-ie (BNA) and Credit Populaire d'Algerie (CPA). In addition, new heads have been appointed to the state savings and mortgage bank, Caisse Nationale d'Epargne et de Prevoyance (CNEP), and to the customs service.

The most senior change concerns Mohamed Seghir Mostefai, the former BCA chief who played an important role in negotiating the release of the U.S. hostages from Iran. He is replaced by Mahmoud Aoufi, the former directorgeneral of BAD, while Mr. Aouti's job goes to Abdelmoumene Fawzi Benmalek. Mr. Mostefai's replacement may be due partly to his being ill earlier this year, for he is a respected figure with many years of financial experience dating back to a spell at the Tunisian central bank before Algeria's independence in 1962. He has been BCA governor since 1963, and is tipped by some Algiers diplomatic sources to become the next finance min-

But the changes at the top of the commercial banks clearly reflect two major concerns: to create a sense of ambition and competition in more junior personnel by showing them that there are improved prospects for promotion, and to bring new blood into the banking system at a time when the government is seeking to make it more responsive to the current phase of the country's development.

CPA Director-General

Typical of the new appointees is Mohamed Terbeche, a former technical adviser at the Finance Ministry and one-time Algerian representative at the World Bank. who becomes director-general of CPA. Mr. Terbeche, who accompanied Planning Minister Abdelhamid Brahimi on his visit to Britain last year to present an outline of the 1980-1984 development plan to businessmen, is an enthusiastic proponent of change in the structure of Algeria's financial institu-

three commercial banks were established in the mid-1960s after the state took over the local affiliates that foreign banks mainly French — had established before independence. The foreign beche means that the new banks the issue. Its newly formed Central

banks had since independence persistently refused to become involved with internal credit, insisting on financing foreign trade only. As their profits returned to their foreign-based parent banks in the form of commissions and high borrowing rates, these affiliates brought little benefit to the nation-

al economy. The early role of the commercial banks was to provide mediumterm credit, discounted through the BCA, to complement the budgetary funds disbursed by the spe-cialized BAD. In 1970, it was decided that productive investment would no longer be financed through budgetary funds, but entirely through credit. In 1970 also, with the economy becoming in-creasingly complex, each of the three commercial banks was made solely responsible for the credit needs of a number of state enter-

Mr. Terbeche said that the next give banks more say in the financial aspects of project identifica-tion and implementation. It will also enable decision-making on smaller schemes to be decentralized regionally, thus modifying the present rigid system requiring cen-tral approval of all decisions made at the local level.

Provincial Branches

To this end, more branches of the existing commercial banks will be created in the provinces, and they will be better-funded and have more autonomy than provincial branches now have. This will have the additional benefit of assuring wider banking coverage of the less developed regions, particularly the High Plateaux and the South, where much industrial development is planned. The overwhelming majority of bank branches is now concentrated in the population and industrial centers of the North.

In addition, the established banks will relinquish some of their responsibilities to a number of new and more specialized autonomous agencies. A bank is to be set up to handle finance and agriculture, hitherto one of the responsibilities of the BNA. The next new bank to be approved is expected to take over from the BEA at least some of its responsibility for financing hydrocarbon schemes.

and that the structure should have foreign workers. started to take shape by the end of the year. The benefits that would accrue, in terms of specialization, from having one bank solely re- one of the countries most affected sponsible for each of the major by the uncontrolled growth of state industrial enterprises have to banks — it had 53 commercial be weighed against the question of banks at last count — and it is "image abroad." By this, Mr. Ter- only beginning to deal firmly with

will have to be big enough to inspire confidence when they need to approach the international money

Algeria has in fact stayed out of the money market since the begin-ning of 1980, having borrowed massively in the 1970s to finance its rush to industrialize. There are no more plans to return to the market before 1982, Mr. Terbeche said. A more measured approach to investment — what the Heavy Industry Ministry's planning direc-tor, Abdel-Hamid Djebbar, calls a sequential mode of development - means that there is no longer such a need for quick, blanker finance. Instead, ministries and enterprises will increasingly seek finance tailored to the needs of in-dividual capital schemes and equipment purchases.

Among the newer sources of finance the government is hoping

to tap are lines of credit with trading partners, similar to the Can.\$1.2-billion credit agreed to in 1978 with Canada's Export Development Corp. An agreement was signed in June on the first 6-billion-schilling part of a 30-billionschilling credit to be made available by Austria's state-backed

Oesterreichische Kontrollbank.

The government will also increasingly seek to barter crude oil for imported products and to create joint commercial banks with countries offering scope for increased trade. The first such bank has been created in Italy, with an initial capital of 10 billion lire equally subscribed to by the two partners. The bank will start operating after its statute is signed dur-ing Finance Minister M'Hamed Hadj Yala's visit to Rome in mid-September. Diplomatic sources in Algiers say that Italy was keen to

participate in the bank partly 10 "take the heat off" its export insurance. Last year, Italian Commerce and Industry Minister Antonia Bisaglia said that export insurance for Algeria totaled almost \$3 bil-lion and could not be increased at least until gas started to flow through the Algeria-Italy TransMed pipeline, which is due to come on stream later in 1981.

Mr. Terbeche said that the next joint bank is likely to be set up with the Ivory Coast, where there is scope for increasing exports of wine and imports of coffee, bananas and other products.

In addition, the government will be hoping to finance almost all its equipment purchases through sup-plier credits and other forms of concessionary finance. In many cases, the choice of supplier will depend on the quality of finance

Diminishing Role for the Small Banks

By Michael Petric-Ritchie

C'EVERAL small banks in the Gulf region are little more than money shops. They are the legacy of the earlier days of oil wealth when many Gulf states lacked the administrative structure to control economic growth and were easy prey for entrepreneurs.

The initial investment in setting up a small bank - some have had capitals of barely more than \$1 million — is paltry compared with the rewards that can be reaped in a booming oil region.

And small banks can cause big headaches to their country of origin. Because of their meager resources, they are more vulnerable in times of banking crisis and liquidity shortage. There are many cases of governments having to bail out such banks. This is largely because the smaller banks are privately owned, sometimes by a few but often by many local shareholders. Thus the governments feel duty-bound to protect the interests of the local population and prevent such institutions from going

By nature, small banks do not get involved in the international markets. They are there principally to mop up surplus deposits, and many are active in local trade financing. Those that have a foreign Mr. Terbeche said that the shareholding often provide a use-Finance Ministry is debating the ful link in repatriating to their optimum size of the new banks, home countries the remittances of

2 Banks Beef Up

The United Arab Emirates was

Bank has set up a minimum capital requirement of 40 million dirhams and is seeking to get small banks to recapitalize to this level

Two banks that beefed up their capital this year by finding new shareholders are the Ajman-based First Gulf Bank and the Bank of the Arab Coast (BAC) in Ras al-Khaimah. The tiny BAC was set up in 1975 with a 5-million-dirham capital, owned 49-percent by Lebanese interests. In January, its capital was increased twentyfold to 100 million dirhams. By comparison, the largest UAE bank, National Bank of Abu Dhabi, had total footings almost 300 times BAC's 1980 figure of 60 million

Foreign Role Reduced

dirhams.

The small bank is also on the way out in Saudi Arabia. Most local banks have sizable asset-liability figures by any standards. Foreign participation is slowly being reduced by a determined policy of 'Saudi-ization,' aimed at bringing the kingdom's economy under tighter national control.

Doha Bank is the smallest and newest of Qatar's three national banks. Set up in 1979 with a capital of 15 million Qatar riyals, its shareholders include two state companies — Qatar Flour Mills and Qatar National Navigation and Transport - and two local insurance companies as well as private individual interests. Foreign banks pay a 50-percent tax on

profits and have been prevented since the mid-1970s from opening new branches.

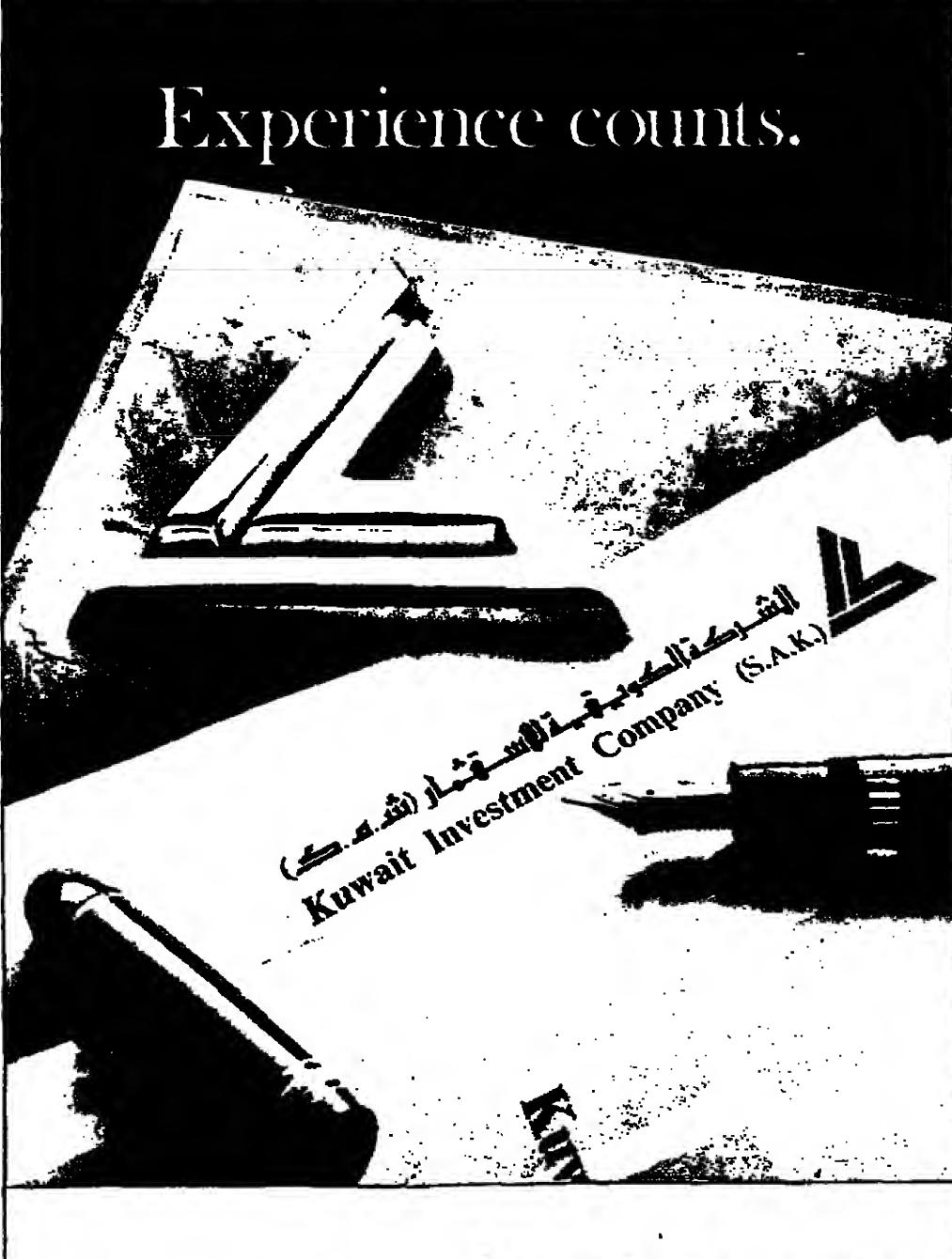
Discreet Deposits

Still lacking a full-fledged central bank, Qatar's banks are not subject to as great a degree of government scrutiny as are, for example, Kuwaiti banks. Qatari banks are periodically helped out of tight corners by discreet, and often very large, deposits from government funds. By comparison with other Gulf countries, Qatar's economy is not large and most banking activity is trade-related.

Kuwait's closely controlled banking system contrasts sharply with those of many of its neighbors. Kuwaiti financiers talk of their bank sector as the "most sophisticated in the Gulf." Its first commercial bank was set up 30 years ago and since then has been

joined by five others. The smallest of these, Burgan Bank, would rank among the largest in many other Gulf states. Only five years old, Burgan has a 14-mil lion-dinar capital owned 51 percent by the government and by about 30,000 individuals. Like most "small" banks, Burgan's main activity is in trade financing. but in 1980 it managed four syndications, including a \$250-million loan for the National Bank of Yu-

zoslavia. Kuwait has reason to feel surus at how it has avoided the problems of overbanking. It appears that other Gulf countries are following



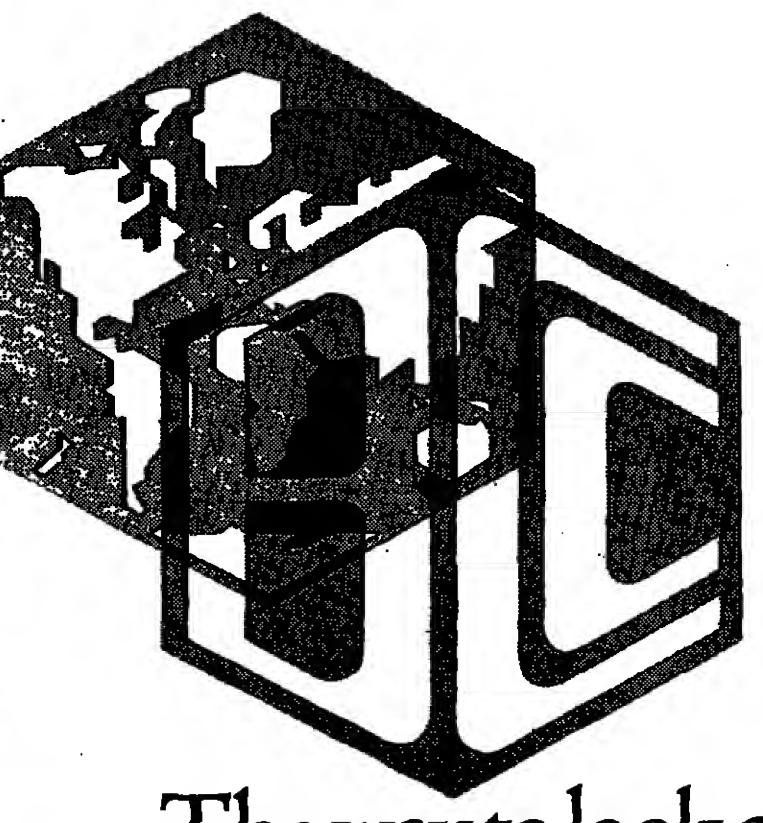
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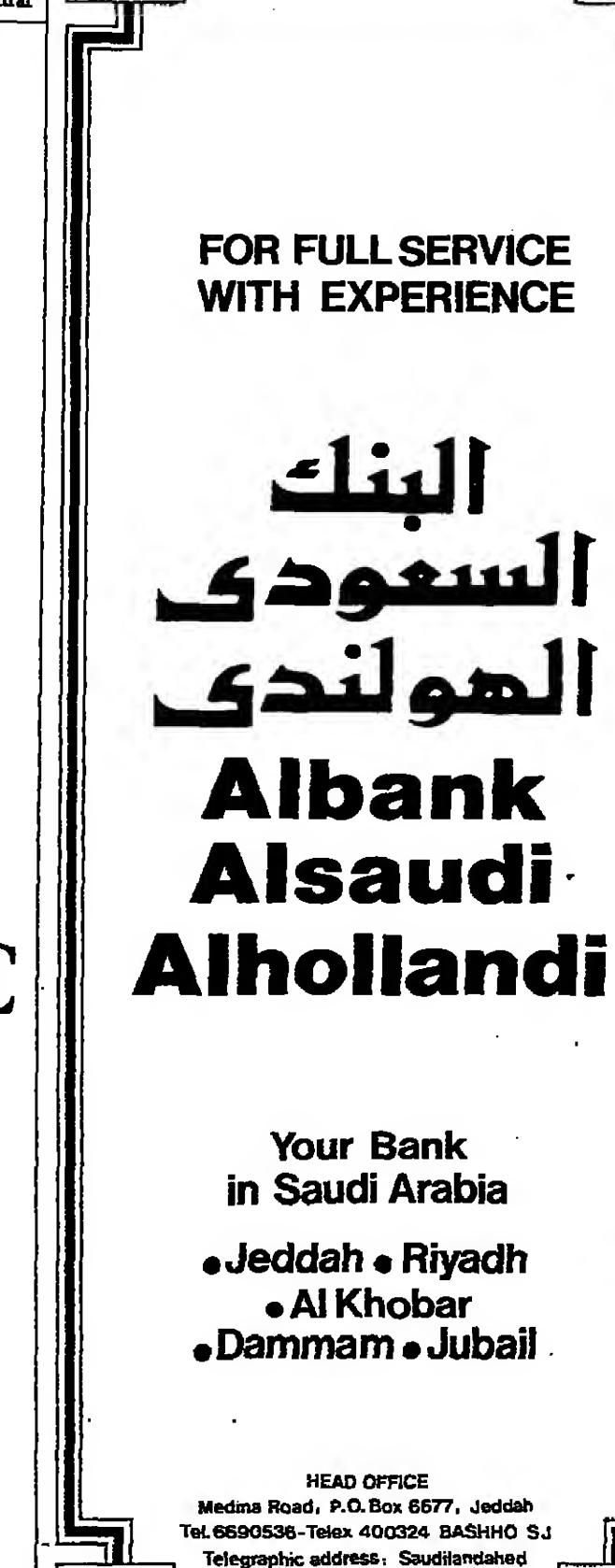
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Dunlop Sells Malaysia Unit

LONDON - Dunlop, the Britsh-based tire company, said Tuesday it had agreed to sell its Malaysian rubber plantations to local interests. The price, to be paid in Swiss francs, is equivalent to about

RU

The decision removes the threat of an all-out takeover bid for Dun-Too by Malaysian interests, according to inclustry sources. Malaysia has officially said it wants control of all its resource-based industries. The company said it agreed dur-

ing talks in Zurich to the sale of its 51-percent controlling stake in Dunlop Estates to a Malaysian company called Multi-Purpose Holdings. At the same time, Multi-Purpose and another company, Pegi Malaysia, gave assurances to Dunlop that they have no plans to increase their stake in Dunlop Holdings, the parent company.

New Venture Planned

Per is indirectly controlled by Ghafar Baba, a Malaysian busi-nessman and politician who holds a 17-percent interest in Dunlop Holdings. The stake was acquired in a series of stock market forays started a little over 18 months ago. This gave rise to market speculation that Mr. Ghafar Baba was planning a takeover.

Pegi plans to form an equally owned venture with Multi-Purpose Holdings to supersede Dunlop Espates, Dunlop said. Industry sources said Multi-Purpose is controlled by the Malaysian-Chinese Association, a political and investment

Duniop put total Malaysian holdings in its parent company, including Pegi's interest, at around 30 percent of its share capital. The full extent and identity of Malaysian holdings in Dunlop are being investigated by the British Trade Department.

Profit Decline

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Earlier this month the Malaysian government's national equity corporation, Permodolan Nasional increased its shareholding in the London-based Guthrie plantation group to more than 50 percent after buying Guthrie shares valued at £72 million; in a stockmarket

Dunlop, which has suffered declining profits in recent years, said the sale of its controlling interest in its long-held Malaysian plantawith cash to help reshape its strategy. The sale agreement could be completed by the end of 1981, the company said.

The price, set at 252 million ringgits, will be paid in Swiss francs under a bank guarantee over a period of 24 months from the date the contract becomes unconditional, Dunlop said. Half of each installment will be paid following conversion into Swiss francs at Tuesday's closing rate in Zurich and the other half at the rate prevailing at the date of pay-

Dunlop holdings said its 1980 pretax profit of £10 million included £7 million from Dunlop Estates. Dunlop Estates contributed a pretax profit of £3 million for

tions will provide the company first half of 1981, when the group showed an overall pretax loss of £3

> **Guthrie Inquiry Pledged** KUALA LUMPUR (Renters) - An investigation of the implications for British investments of Malaysia's recent takeover of Lon-

> don-based Guthrie will be launched, Peter Rees, the British minister for trade, said Tuesday. Mr. Rees, who arrived from Bangkok on a regional tour, said takeover raised questions about British interests under Malaysia's national economic policy. The policy aims to give Bumiputras, which include Malays and other indigenous races, a 30-percent stake in the country's corpo-

to discuss measures to boost the

business environment with help for

depressed industries and increased

imports to avert fresh trade fric-

tion with the United States and

statistics taken together indicated

that the economy will continue to

shake off stagnation, but at a

Balance of Payments

pan's August overall balance of

million after a \$781-million July

deficit and an \$875-million surplus

first eight months of this year

showed a \$2.33-billion deficit after

plus narrowed to \$393 million

from \$871 million in July, and

The current account, which em-

braces visible trade and so-called

invisibles such as insurance, was in

surplus by \$643 million in the first

eight months after a \$12.21-billion

narrowed to \$75 million from a

\$186-million July deficit and com-

The transfer payments deficit

deficit in the 1980 period.

The balance of payments in the

payments was in surplus by \$601

The Finance Ministry said Ja-

slower pace than expected. .

EPA economists said the latest

rate wealth by 1990.

Western Europe.

a vear earlier.

Reuters TOKYO — Booming exports gave Japan a trade surplus of \$1.74 plus for the first eight months of the year to \$10.99 billion, according to Finance Ministry statistics

released Tuesday, The August surplus was down from \$2.36 billion in July but up from a \$305-million surplus a year

Domestic Slowdown

The visible trade surplus for the first eight months of 1981 compares with a \$3.43-billion deficit in the 1980 period and an original government prediction for a \$7.98billion surplus for fiscal 1981 end-

A slowdown in the domestic economy was underlined Tuesday by preliminary figures showing industrial production had fallen 2.2 percent in August after a 1-percent

Officials said the August production fall resulted from a longer than usual summer holiday taken by many industries to adjust in-

The figures were released three

pared with an \$89-million deficit a year earlier. The August long-term capital account balance turned into a surplus of \$253-million from a \$1.44-

cit a year earlier.

billion July deficit. This was due mainly to reduced Japanese investment in foreign stocks and bonds and increased investment by non-residents in Japanese securities.

U.S. Imports Of Steel Items Up Sharply

European Price Seen Below Trigger Level

By Lydia Chavez

New York Times Service NEW YORK — Steel imports by the United States rose 62 percent in August to their highest monthly level in nearly four years, according to the the American Iron and Steel Institute.

While products used by the oil industry accounted for most of the rise, imports of sheet steel for the auto industry also increased substantially, the industry group reported Monday.

"What is worrisome is the sharp rise in sheet sales," said Gary Horlick, deputy assistant secretary of Commerce for import administration. "We will definitely be watching these closely."

Analysts said the rise in products such as sheet steel indicates the European producers, which have traditionally supplied the auto industry, are selling steel under the trigger price, the mimimum price at which exporters are allowed to sell steel into the United States.

It is based on the cost of the Japanese producers and was set up to prevent exporters from dumping steel in the United States. The Commerce Department monitors the mechanism and is authorized to investigate sales under the trig-

Steel imports rose to 2.23 million tons last month, compared with 1.37 million tons in August of last year and 1.66 million tons in July. The August figures surpassed the record set in February 1978, when imports rose to 2.2 million

a \$10.01-billion deficit a year earli-Steel products used by the oil industry doubled to 732,000 tons The August current-account surcompared with August of last year. Imports of sheet steel rose 62 percent, to 402,000 tons. compared with a \$913-million defi-

William De Lancey, chairman and chief executive officer of Republic Steel Corp., called the increase "critical" and said that imports accounted for nearly 25 percent of the marketin August.

Imports for the first eight months of this year were 12.74 million tons, or 20.6 percent higher than the 10.57 million tons imported during the same period of last

Imports from European producers jumped 127 percent to 857,000 tons, while Japanese imports increased by 43 percent to 705,000

Analysts said that most of the increase in Japanese imports probably came in goods that are sold to the domestic oil industry.

W. Europeans, Russia Sign Pipe Deal

By John Tagliabue New York Times Service

BONN — A joint venture of West German and French companies signed Monday the first conracts in what is expected to be the biggest East-West trade deal ever, agreeing to supply gas compressor stations from Siberia to Russia's western border, it was disclosed Tuesday.

A spokesman for Mannesmann the West German steel company. Anlagenbau, a unit specializing in

said that representatives of a joint venture consisting of Mannesmann plant construction, and Creusot-

Loire, the French steel company, signed contracts in Düsseldorf Monday to deliver and install 22 gas compressor stations on a pipeline that is to ship Soviet gas from western Siberia to Western Europe beginning in the mid-1980s. The spokesman, Klaus Germann, said the contracts are worth 2.2 billion Deutsche marks.

Politics and Business

The disclosure came one day after delegations of West German and Soviet government and industry officials concluded five days of talks in Moscow on ways to broaden West German-Soviet economic relations. But the Mannesmann spokes-

man denied the two events were directly related. "They talked politics," Mr. Ger-

mann said. "We talked business." Mannesmann also agreed to supply compressor equipment, including piping systems, skids, pumps and other aggregates worth 135 million DM.

Agreements were also concluded whereby AEG-Kanis, a unit of the compressor turbines worth 700 million DM, and John Brown, a

an industrial and energy depend-West German electrical company ence on the Soviet Union might AEG-Telefunken, will supply 47 weaken Western solidarity. But the

From Agency Dispasches NEW YORK - Prices on the New York Stock Exchange closed higher for the second straight day Tuesday, although a rally near midday lost some of its steam in

the afternoon. The Dow Jones industrial average had gained about 12 points at midday, but finished up only 5.33 at 847.89. Advances led declines by about 1.200 to 370 and volume narrowed to 50 million shares from 61.3 million Monday.

Institutional Buying

Analysts were still unsure whether the market is reversing its four-month decline or in the midst of a technical rally based on bargain-hunting that may run out of

fuel in a few days. Harry Laubscher of Paine Webber Mitchell Hutchins said stocks will come back to test Monday's lows before definitely turning around. "If the test is successful, there should be a rally lasting three to eight weeks," he said.

Bargain-hunting, particularly by institutions, was given as the major force behind the gain. Block trades of 10,000 shares or more, a mea-

LONDON — Stock markets re-

covered their nerve and prices rose

strongly in most financial centers

Tuesday, with London and Tokyo

making record gains that erased all

the late surge on Wall Street Mon-

day and general bargain-hunting.

But the Hong Kong market fell

again and some financial analysts

were still cautious about whether

the recent world slide in share pric-

The London Financial Times in-

dex posted the biggest gain ever in

The turnaround was sparked by

of Monday's heavy losses.

es had exhausted itself.

851 from 787 Monday.

"So many stocks are selling at bargain prices that the economy would have to really fall apart for the market to go much lower," Hildegarde Zagorski of Bache Hal-

NYSE Prices Extend Rally 2d Day

sey Stuart Shields said. Monday morning, when market had dropped about points in the opening more than 600 issues hit their 52-week lows.

Analysts saw little support for the market other than bargain hunting, however. The primarily negative outlook for interest rates and the federal budget deficit which held prices down all summer has not changed, and many stocks may still resume their slide as a re-

sult, they said. Railroads Gain

Technology and railroad stocks were two strong performers Tuesday. Railroad stocks pushed the Dow Jones transportation average up 6.31 points. Burlington Northern gained 1%

to 41%, CSX 14 to 45% and Chicago-Milwaukee 34 to 394. Takeover issues did well, Arcata Corp, which agreed to merge into a new company to formed by Kohl-

Stocks Prices Recover in London, Tokyo

sure of institutional buying, rose to berg Kravis Roberts, gained 41/2 to 33¼. Gino's rose 2¾ to 11¼ on news that an unidentified suitor approached it about a takeover. Colt Industries lost 2¼ to 80¼. Stockholders of Penn Central said they would investigate that company's proposed takeover of Coll. Coastal Corp. rose 2% to 38%. It

Dollar Lower

ployment of its assets.

In other corporate news, Sunbeam Corp. rejected a \$32-ashare tender offer by IC Industries for up to 7,250,000 of Sunbeam's shares. Sunbeam said the offer "doesn't fully reflect the value of the company.

Kaiser Aluminium & Chemical Corp. said it will raise prices as much as 9 percent for a wide range Thursday.

of its common alloy aluminium sheet and plate products, effective In London, the dollar closed

lower on the day but still above its softer opening levels, dealers said. The dollar slipped back from its highs on profit taking and news that Marine Midland Bank cut its broker loan rate to 16 percent from 1714 percent, they said.

Urengoy gas field, near the Yamal Peninsula in western Sidema. 10 six Western European countries. said it would study possible rede-Contracts for 57 turbines for the remaining 19 compressor stations are expected to be awarded soon to Italy's Nuovo Fignone, a subsidiary of the state-controlled Ente

U.S. objections.

Nazionale Idrocarburi, Mr. Bender AEG-Kanis is also bidding for contracts to deliver electrical control components, communications

Glasgow-based company, will supply 21 turbines, beginning in Aug-

A spokesman for AEG-Tele-

funken in Frankfurt said General

Electric would supply rotors for

some of the turbines, but he was

U.S. Displeasure

ministrations have expressed dis-

pleasure with the pipeline deal.

fearing excessive Western Europe-

need for alternative energy sources

and industrial orders, and the de-

sire for broadened economic rela-

tions with the Russians for politi-

cal reasons, caused European lead-

ers to conclude the deal despite

AEG spokesman Friedrich

Bender said a total of 41 compres-

sor stations will be installed on the

pipeline, which is expected to

transport more than 100 trillion

cubic feet of gas annually from the

Both the Carter and Reagan ad-

unable to disclose their value.

and remote-control systems for the pipeline, he added.

French Subsidy

The Mannesmann-Creusot-Loire grouping underbid competitors, including a group of companies led by AEG-Telefunken and Salzgitter, the state-owned West German steel company. Though no financing details were released. it is thought the French-German group's low bid was at least partly due to French government subsidized credits.

Meanwhile, talks are continuing between Soviet and Western industry officials on two outstanding sectors of the pipeline deal: Deliveries of 3 million metric tons of steel pipe, estimated to be worth more than 4.6 billion DM, and the sale price of the natural gas Russia will deliver.

But at the meetings that ended in Moscow on Monday, Soviet and West German officials expressed confidence that a final agreement might be reached before Soviet leader Leonid I. Brezhnev visits Bonn for talks with Chancellor Helmut Schmidt in late November.

W. German Living Cost Up 0.5% in September

WIESBADEN - The West German cost-of-living index rose a provisional 0.5 percent in September after a 0.3-percent rise in August, the Federal Statistics Office

from the same month in 1973.

15.3% August Export Rise Lifts Japan's Trade Surplus

billion last month, lifting the sur-

The value of exports in August rose 15.3 percent from a year earlier, while imports showed only a 1percent gain.

ing next March.

rise in July.

ventories. days before Japan's Economic Planning Agency (EPA) is to meet

BUSINESS NEWS BRIEFS

Chrysler Chief Expects Quarter Loss, Paper Says CHICAGO — Chrysler Chamman Lee Iacocca has confirmed that the

speculate on industry reports that the shortfall would approach \$200 million, according to an interview in the Detroit News. Separately, at the Chicago unveiling of Chrysler's 1982 models Tuesday, Mr. Iacocca said that third-quarter results will be a "a little worse than we thought and a lot worse in the fourth quarter if interest rates remain at 19 or 20 percent." In the third quarter of 1980, Chrysler lost

auto company will lose money in the third quarter, but declined to

\$489.7 million. Mr. Iacocca said that his previous announcement that Chrysler will not raise prices on its basic 1982 models was "a calculated risk," adding

that "we won't be making any money at these prices, that's for sure." Murphy Oil Believes It Has Gas Find Off Spain

NEW YORK - Murphy Oil Corp. believes it has found reserves of at least I trillion cubic feet of natural gas in the Bay of Biscay off Spain, Chairman Charles Murphy Jr. told securities analysts Tuesday.

numbers and want to drill more wells to confirm them. Murphy has an 18-percent interest in 1 million acres in the Bay of Biscay. Executive Vice President Jack McNutt said Murphy is in the process of acquiring one-third interest in 150,000 more acres in the Bay of Biscay. "The discovery in the Bay of Biscay, now officially named the

However, he said the company's partners in the area disagree on those

Gaviota field, could be Murphy's next major field," he said. Penn Central to Sell Park Unit to Bally

Los Angeles Times Service NEW YORK - Penn Central Corp. said Monday it will sell its Six Flags Inc. theme park subsidiary for about \$140 million to Bally Manu-

factoring Corp. OF Chicago. The sale of Los Angeles-based Six Flags represents another step in Penn Central's plan to sell units that do not correspond with its new emphasis on technology, energy and industrial manufacturing. The company is also negotiating to sell Arvida Corp., a Florida based real estate subsidiary, and its Edgington Oil Co. refinery in Long Beach, Calif. Bally is a manufacturer of slot machines, arcade games and pinball

machines and the owner of a hotel-casino in Atlantic City, N.J. Group Seeking Kaiser Steel Includes Pharaon

Los Angeles Times Service LOS ANGELES - The investment group that earlier this month announced its interest in buying Kaiser Steel Corp. includes Ghaith R. Pharaon, a Saudi Arabian investor, and Daniel K. Ludwig, a reclusive

83-year-old billionaire shipping magnate, according to papers filed Monday with the Securities and Exchange Commission. The group, which is headed by venture capitalist Stanley Hiller Jr., of Palo Alto, Calif., has acquired an option from the Henry J. Kaiser Family Foundation, to buy 17 percent of the Oakland. Calif.-based steel company for \$60 million: In announcing its purchase of the option from the foundation, the group said it "intends to enter into negotiations with-

Kaiser Steel, in anticipation of acquisition of the company." Broken Hill Says Fiscal '82 Net May Decline

MELBOURNE — Broken Hill Proprietory Co. probably will not be able to match in fiscal 1982 its record performance for the year ended May 31, Chairman James McNeill told the annual meeting. Broken Hill earned 258.1 million Australian dollars (\$295 million) in fiscal 1981. Mr. McNeil said the main problems will be the continued weakness of overseas steel markets, the strength of the Australian dollar,

rising labor-costs and pressure on its oil and gas profits. Toyota Motor Sees Decline in 1981 Production

TOKYO — Toyota Motor's production in 1981 might fall below last year's 3.28 million vehicles, which would be the first decline in output in

seven years, a company spokesman said.

He did not disclose the potential severity of the decline but said production had been affected by poor domestic sales and voluntary cuts in exports to the U.S. and European markets. Industry sources said Toyota's production is expected to fall to about 3.18 million units from a planned 1981 level of 3.30 million.

Oerlikon-Buehrle Expects Drop in 1981 Net

ZURICH -- Octikon-Buchrle Holding expects a considerable decline in group net profit in 1981, the company said in a letter to shareholders Thesday, but it gave no figures.

Last year, group profit fell to 195.9 million Swiss francs (\$100 million) from 243.9 million Swiss francs. The company cited lower deliveries and high development costs in the military-products sector and lower earnmgs in some civil products areas.

Rebound of Wall St. Prices Eases Fears wartime inflation. Ultimately, the credit," he concluded, "thus will By Leonard Silk

New York Times Service NEW YORK — After Monday's close on the New York Stock Exchange, Wall Street breathed easier. The upshot of a tumultuous day in the world's stock markets was to

strengthen the belief of economists

that the long slide in stock prices

did not signify the start of a severe worldwide recession. Clearly, there was - and still remains — deep concern over high U.S. interest rates. But as economists in this country see it, the world economy is not at the brink. Before the New York markets

opened Monday, there was indeed some talk of world depression. Panies, if they pick up enough hysteria can be self-validating, and there was in fact danger of this happening Monday. "There is panic in the Street," one stock analyst Michael Metz, a vice president of Oppenheim & Co., said shortly after Monday's opening. "The mar-ket looks as if it is having a free

fall with no end in sight." But the free fall was checked. The Dow Jones average first gave ground, but it quickly stabilized and moved up smartly, closing on though well aware of the high interest rates and swelling federal budget deficits that have been pounding stock and bond prices, abroad that a financial and economic collapse might be at hand. Edward M. Bernstein, president

newed fears of a worldwide de- not a sinking one." The expectapression." In his view, such fears tion, he added, would therefore be were exaggerated. Mr. Bernstein contended that depressions in the 19th century

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stefelon fire franc 41.20

Casadian \$ 1,2022

Denish krose 7.245

Finnish mark 4454

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Esterling: 1.1405 Irish £

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of EMB Ltd., an international eco-

nomic consulting concern, saw in

gold standard forced a severe deflation of prices, wages and other

income, causing output to plunge and bringing mass unemployment. At this juncture, Mr. Bernstein sees "no great danger" of deflation either in the United States or most other major industrial countries. He suggests, however, that the Reagan administration may have excited fears of deflation by suggesting that it was prepared to return to a gold standard, which might bring an abrupt and potentially disastrous end to the process

of inflationary growth here and in other countries. The administration has awakened anxieties that it is endanger-

NEWS ANALYSIS

ing economic expansion by a bewildering mixture of policies that some people fear will unleash more serious inflation and that others fear will lead to a savage deflation.

The administration has provided evidence for both fears. Its huge tax cuts, which total \$750 billion in the next five years, combined with its strongest note with a gain of a rapid buildup in military spend-18.55. Apparently, a majority of ing, which is supposed to make investors and their counselors, possible a 7-percent real rate of increase every year, have awakened anxieties of worsened inflation.

In congressional testimony Monday, Roger C. Aliman, who saw no justification for the fear was a Treasury official in the Carter administration and is now with Lehman Brothers Kuhn Loeb, said that the administration's tax cuts and military spending would take effect "in the midst the sharp selling overseas "re- of a relatively resilient economy,

"upward pressure on prices." This, Mr. Altman argued, would give the Federal Reserve no alterand early 20th century resulted native but to continue to pursue a from the collision between the restrictive monetary policy, or to then-existing gold standard and make it still tighter. "The supply of

CURRENCY RATES

Interbank exchange rates for Sept. 29, 1981, excluding bank service charges.

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demand for it, and interest rates will rise."

And it is rising interest rates that have played havoc with the stock and bond markets both in the United States and abroad.

The Reagan administration has been unwilling to intervene in foreign-exchange markets to stabilize currency values, forcing foreign central banks and governments to tighten money and push up interest rates, so as to protect their currency values, in the face of slumping national economies.

In his Per Jacobsson lecture during the annual meeting of the International Monetary Fund in Washington Monday, Jelle Zilstra. president of the Bank of the Netherlands, implied criticism of the Reagan administration for pursuing the policy of "Mr. Market knows best" — that is, for letting the market alone decide foreignexchange values.

The worry is that this laissezfaire approach to the currency markets, when joined to monetarism (the doctrine of relying on slow monetary growth to rid the system of inflation), will force recession upon the international economy. Indeed, some U.S. economists do see a possibility that the world is ripe for the most serious recession of the postwar period, if not a depression as severe as that of the 1930s.

Many economists believe that President Reagan has put himself in a serious bind for several years to come by his plans for huge tax cuts and military spending increases and that the underlying pressures on the U.S. and world economies cannot be resolved until a more stable and less risky course is mapped for U.S. fiscal policy.

A MANAGED COMMODITY ACCOUNT. Equity on January 1, 1981: \$100,000.00 **Equity** on September 24, 1981: \$282,268.31

WEEKLY NOTIFICATION

COMPTRENDII

For information call or write Royall Frazier, or lan Somerville, TAPMAN: Trend Analysis and Portfolio Management, Inc., Wall Street Plaza, New York, New York 10005, (212) 269-1041, TELEX BMI 667173 UW. TAPMAN is a wholly owned subsidiary of

Balfour, Maclaine International LTD.

after all charges

its first hour when the 30-share versed course in spectacular fashmeasure jumped 24.3 points. It ion, influenced by overnight events closed up 23.7 at 481.2, equal to on Wall Street. The market index the record one-day gain set July 1, Monday, the index fell 23.6

points in the first hour, the worst drop since 1974, and was off 17.2 for the day.

Scramble to Buy

The market steadied after Tuesday's opening burst and prices were trimmed back, although dealers said the underlying trend was

"After the panic rush to get out yesterday, it looks like a panic scramble to get back in today, said one stockbroker at the height of the early pandemonium on the

The Frankfurt exchange also surged, with share prices recovering most of Monday's losses, although dealers called it a purely technical reaction. The Commerzbank index rose 12.2 points to

681.3 after falling 13.3 Monday. Paris shares recovered most of Monday's lost ground, and Zurich prices also closed broadly higher.

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Treasure Island

guide to Port Ering

In Tokyo the stock market re-

posted the biggest rise in its history, adding 320.56 to reach 7,357.68 after its record fall of 302.84 Mon-

But although the buying spree went on all day, Tokyo analysts said there is still some selling sentiment overhanging the market and there could be further declines. The buying was helped when the

eight Japanese stock exchanges

lowered the margin requirement,

the amount of cash to be paid immediately on buying shares, to 30 from 40 percent. The return of confidence in Tokyo was not shared in Hong Kong where share prices closed easier. Dealers said market sentiment remained pessimistic despite Wall

Hang Seng index fell 27.06 to 1,218.20. Singapore quotes slipped Tuesday in mostly lackluster trading. The Straits Times industrial index fell to 642.38 from 650.81 after the sharp 15-point drop Monday.

Street's rebound Monday.

reported Tuesday. The index, base 1976, stood 6.6percent higher than a year ago after a 6-percent year-on-year rise in August. A spokesman said the September inflation rate was the highest since October, 1974, when the cost of living rose 7.1 percent Australian markets were also

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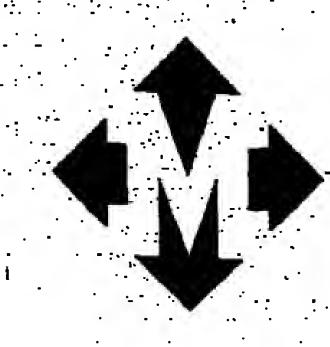
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International Herald Tribune

By Winston Williams.

New York Times Service CHICAGO — Auto plants and their suppliers are laying off workers once again. Steelmakers are complaining anew about im-. ports. Appliance manufacturers are liquidating inventories. And farm equipment companies are cutting back their expansion pro-

Many industrialists in the Midwest had expected the economy to start recovering in the fourth quarter. But convinced now that they were wrong, businessmen in America's industrial heartland are bracing for a slump that could continue well into 1982.

gy

Like Wall Street, the industrial belt is worried that persistently high interest rates will mean less business and more memployment. Continuation of the slump, experts say, will delay the region's effort to rebuild its decaying industrial base.

"I don't see a rosy picture for jobs and production next year if the Fed sticks to its program," said Thomas Gittings, an economist for the Federal Reserve Bank of Chicago, referring to the Fed's policy of monetary restraint. "Things are going to be pretty darn flat all over, but this area will suffer more than the rest of the nation."

Structural Changes

The nation's heavy-manufacturing belt concentrated largely in Ohio, Indiana, Illinois, Michigan and parts of Wisconsin, Iowa and Pennsylvania — never recovered completely from the recession that began in the second quarter of last year.

The Midwest for the last half-dozen years has been the focal point of structural changes that have squeezed its economy. I has suffered from rising imports of manufactured goods, and now a strong dollar has made U.S. goods more expensive abroad and has cut into the region's exports, particularly of machinery and grain.

Heavy manufacturing is vastly more important to this region than to the rest of the country. But many of the factories are old and obsolete, leading many companies to leave for more efficient plants in the Sun Belt. Even when old facilities have been rebuilt, the payroll of the remodeled plant is usually smaller because of new labor-saving

Low overall demand for cars, trucks, tractors and appliances during the last two years has aggravated the problem. Unemployment

BAHRAIN - Knwait and Oman have trimmed their oil pric-

es, according to industry reports Tuesday, and oil market analysts

in the Gulf said this would put

pressure on other exporters in the

The Saudi oil minister, Sheikh

Ahmed Zaki Yamani, has said

Saudi Arabia, the biggest exporter, is having no trouble selling huge

volumes of oil at its price of \$32 a

barrel. But smaller Gulf states

which charge more are struggling

to cope with the present oil glut,

each waiting for another to take

the lead in trimming prices, the an-

The Middle East Economic Sur-

vey, an oil newsletter, reported

that Kuwait had effectively done

so by extending the credit period

in which buyers can pay for crude.

This resulted in a discount of up to

area to cart prices.

alysts said.

in the region is the worst in the country. High interest rates now threaten to prolong the slump and send unemployment even higher, experts say.

Interest rates have put a lid on things that are manufactured in the Midwest," said Mitchell Fromstein, president of Manpower Inc., a temporary-help agency based in Milwaukee. "The products can't jump over the hurdle of high interest rates." A Manpower survey of private sector hiring intentions in the fourth quarter showed a bleak picture for the nation, but the outlook for the Midwest was even more glum.

Automobile executives, who had predicted a recovery for car sales in the fourth quarter, now say that the upsurge will not occur for another three to six months. In the meantime; said Gerald Meyers, chairman of American Motors, "It's going to be diffi-cult." He said he expected employment and production at American Motors, currently at 50 percent of capacity, to "stabilize" in the coming months.

But domestic car sales slowed dramatically in the middle of September, falling to an annual rate of 6.2 million from the 7.6-million pace at the beginning of the month. Automakers responded by laying off thousands of additional workers. Last week the number of workers on indefinite layoff climbed to 166,650 from 158,550 the week before, while short-term layoffs increased to 50,450 from 23,005 in the prior week.

Production schedules were trimmed to slightly more than 80 percent of the level a year ago. These cutbacks will ripple through the glass, tire and steel industries.

Railroads, whose traffic patterns are generally a reliable indicator of the vitality of the industrial sector, said that the continuing slump in lumber traffic was a bad omen. "If humber were moving, that would mean housing and manufacturing are ready to come back," said Lawrence Cena, president of the Santa Fe Railway, "but I don't see that happening at all."

Steelmakers are gloomy, too. Recently, Iniand Steel, whose sales are a thermometer of the region's industrial health, said that orders for steel used in construction and in auto production and appliances were "most disappointing." It lowered its predictions for 1981 shipments to 90.5 million tons from 93 million tons, predicting that "the big surge may not come until later in 1982."

2 Gulf Nations Reportedly Cut Oil Prices; Trend Is Seen

\$1.10 a barrel off its \$35.50 price, discount on its \$40 price. Industry sources in London said this en-

abled it to boost output toward I

that in midsummer.

discounts.

Dhabi crude.

should fall.

million barrels daily, from half

Libya and Algeria, which also charge \$40, have offered to barter

their crude for goods, which analysts said could provide hidden

The analysts said attention

would now focus on the United

Arab Emirates, which charges

\$36.56 a barrel for its main Abu

Emirates' Oil Ministry officials declined on Tuesday to comment

on prices, but Oil Minister Mana

Said al-Otelba strongly supported

the Saudi stand at an OPEC meet-

ing in Geneva last month in saying that the average price of OPEC oil

400,000 BPD, was likely to follow

the lead of its neighbors, the ana-

Qatar, producing only about

Another sign of steel troubles became apparent in Duluth, Minn., last week when an executive of Bethlehem Steel warned a seminar at the University of Minnesota that rising steel imports endangered \$5 billion in modernization projects announced this year by the steel industry.

Like their counterparts in appliances and farm equipment, steelmakers are worried about the high level of inventories, which many businessmen built early this year in anticipation of a strong recovery later in the

Price War

General Electric has temporarily laid off all its 15,800 production workers at Appliance Park in Louisville, Ky, and some furloughs will be continued through December, the company said, to control bulging inventories of major appliances. Farm equipment makers, including beleaguered International Harvester and Allis-Chalmers, are engaged in an expensive price war to unload invento-

The farm sector, where low commodity prices and high interest rates have put farmers in a sour mood, is the cause of much of the region's economic malaise. The poor prospect has led John Deere to slow its ambitious expansion plans.

"We're looking for a better interest-rate environment and the strengthening of market conditions before we get back to expansion," said Robert Hansen, Deere's presi-

Paul Harmon, chief economist of Armoo Steel said be expected many other companies to adopt a similar approach to capital expenditures. "Investment horizons" are very short, he said, because of high interest rates and uncertainty over President Reagan's economic program.

These factors will depress capital spending for the present and for most of next year. Stretching out or canceling capital projects could delay the region's "reindustrialization" and postpone the return of competitiveness to some troubled companies, analysts said.

But gloom is not found everywhere. Poll-sters said that consumer confidence was still relatively strong and that retail sales were holding up fairly well. The machine tool in-dustry, which makes metal-cutting and met-al-forming equipment, is busily working off a large backlog even after new orders plummeted in recent months.

lysts said. It charges more than \$37

Saudi Arabia, the world's largest

exporter, cut output by 1 million

BPD to about 9.2 million for September, but Sheikh Yamani has

said October's output would be re-

viewed in the light of market con-

ditions. The level will not be an-

Net Asset Value

on September 3, 1981

Pacific Selection Fund N.Y.

U.S. \$ 3.48 per U.S. \$ 1 unit.

Pacific Selection

Fund N.V.

nounced until the end of October.

Clausen Defends 'Soft' Loan Policy of IDA

By Hobert Rowen

Washington Post Service WASHINGTON - In his first official appearance as president of the World Bank, A.W. Clausen took sharp issue Tuesday with charges by the Reagan administration that the World Bank ignores the private sector, and should toughen up its requirements for loans to middle-income countries. as well as to the very poorest.

In an address to the World Bank-International Monetary Fund annual meeting here, he warned bluntly that to scrap or limit subsidized aid through the World Bank's concessional arm. the International Development Association, might lead to "political and social instability" in the Third World, even touching off violence among the jobless in urban slums.

Combination Approach

"There is no alternative but having an IDA-7 [the next scheduled three-year replenishment of IDA fundsl." Mr. Clausen told a news conference. "There is just no other alternative for the poorest nations in this world that ... do not have access to the commercial

markets." But he said that the next replenishment would have to be structured differently, probably with less grant money from the rich nations. He implied that after 1983. IDA might have to borrow, from commercial markets as well as from donor countries, and that the U.S. share could be less than its 27-percent involvement in IDA-6.

The most critical of U.S. officials have suggested that the

World Bank's programs lately have degenerated into the equivalent of worldwide welfare. Others complain because it deals on a

government-to-government basis. Mr. Clausen brushed such criticisms aside. "You can't solve all of oped nations." the problems with the private sector, no one's saying that you can," he said. "You can't solve all of the problems bilaterally." He said a

combination approach is needed. His defense of IDA, which has come in for the brunt of the U.S. criticism, was in unusually strong terms. "There is a general tendency to think that soft loans are made by soft-headed people that have got soft requirements," the former chief executive of the Bank of America told reporters. "Actually, the same criteria for economic return on the credits [as on World

Bank loans] is expected." Mr. Clausen told the joint meeting that IDA "must be continued" after the current funding expires in 1984. Statements by U.S. Treasury officials last week left open the question of whether the United States would participate in the next IDA replenishment.

Self-Interest

Mr. Clausen said that the United States should continue to support IDA as a matter of self-inter-

"The issue is not whether IDA is

effective," Mr. Clausen said in his speech. "It is. Nor is the issue whether IDA is a philanthropic so-ciety. It is not. An IDA credit is not a welfare check. It is a produc-tive investment. Consider the countries that were 1DA recipients only a few years ago: Korea, the

Philippines, Thailand, Ivory Coast,

and some 15 similar cases. "These countries have not only graduated from low-income to middle-income economies, but today are vigorous and valuable trading partners with the devel-

Treasury Secretary Donald Regan last week said that some countries now on the IDA roll should be asked to borrow at nonsubsidized rates at the World Bank, and that some of the World Bank's customers should go out into the private market.

Graduation Process

Mr. Clausen, in effect, was responding that the World Bank had had such a policy from the beginning. He said at the news conference that countries such as Spain, Greece, Israel and Ireland had been graduated from the World Bank's "hard loan" window to the private market.

But the United States, which is readying a report on multilateral banks that will deal with this and other issues, apparently wants the World Bank to accelerate the graduation process at all levels. Mr. Clausen acknowledged the pressure, noting that the industrial nations are being forced to keep their budgets in check in response to inflationary pressures.

At the news conference, Mr. Clausen said that a change in the World Bank's gearing ratio, as proposed last year by its former president, Robert S. McNamara, is appropriate, but not realistic for at least five years.

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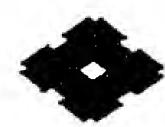
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29th September, 1981

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Wardley Limited Yamatane Securities Co., Ltd. Wood Gundy

have increased turnover by £580 million, trading profit by £42 million and net profit attributable to B-A-T Industries by £25 million.

Shares, First and second interim dividends amount to 14.5p, compared to the two interim dividends totalling 12.5p paid in respect of 1980.

. Transfers received in order by the Registrar of the Company up to 27 November 1981 will be in time to be passed for payment of Sir Peter Macadam, Chairman,

comments: "Group turnover and profits show significant increases in the first six months, compared to the same period last year. It is satisfying to record growth at a time when so many economics are not at their best."

"In the United Kingdom, where we have only about a fifth of our assets, our paper, and our packaging and printing businesses are still suffering the effects of recession, but our sales in the domestic cigarette market show a marked improvement and our export tobacco business is doing still better."

"Activities overall in Continental Europe have held up well, although

margins have been depressed." "BATUS, the holding company for our United States interests, is fulfilling promise by maintaining market share in tobacco and showing a sharp increase in the profitability of its retailing."

"Tobacco has once more made its

dependable major contribution ...

turnover rose sharply, in sterling terms,

and trading profits were up by a quarter.

The success of Barclay in the USA continues to exceed expectations." The full year's figures will depend on the rates of exchange ruling at the end of the year and if rates are at around the present levels I would expect a significant advance. Improvement will stem not only from this but also from continuing real increases in the turnover and profitability of many of the

businesses that we have been building

Oman, which unlike Kuwait is

not a member of OPEC, mean-

while cut the price of oil going to

Japan between October and De-

cember by \$1.50 to \$34, Japanese

British Petroleum called the

Kuwait offer unacceptable. Indus-

try sources said they believed BP.

which buys 50,000 barrels per day

of Kuwaiti oil, would seek even

tough line is in part made possible

by its successful diversification of

crude supplies. It has just started shipping 20,000 barrels per day from Mexico, a non-OPEC mem-

ber, a figure that is to rise to

ter Nigeria, the OPEC member

hardest hit by the oil glut, last

month announced a \$4-per-barrel

Pressure for price cuts grew af-

40,000 BPD next year.

Oil market analysts said BP's

officials said in Tokyo.

better terms.

BAT INDUSTRIES

Interim Report: Six Months to 30 June 1981

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Trading profit		274	220	247	+25%
Interest paid less received		30	27	21	+11%
		244	193	226	+26%
Share of assoc. compan	ies'				· •
profit before tax	•••	34	19	41	<u>+79%</u>
Profit before taxation		278	212	267	+31%
Taxation		127	108	109	+18%
		151	104	158	+45%
Profit after taxation	• •	· 17	14	14	+21%
Minority interest	• •				12170
Net profit surrbutable	to		00	425	1.400/
B-A-T Industries	- •	134	90	144	+49%
v	l s a mad	wiel An	alveie		
	lus	rial An	alysis		
Turnover Tobacco		2,477	2,024	2,307	+22%
Retailing	• •	983	777	995	+ 27%
Paper	• •	410	369	340	+11%
Packaging & Printing	• •	252	233	232	+ 8%
Other ectivities	••	202	182	186	+11%
	••	• ——		4.060	+21%
		4,324	3,585	4.000	
Trading profit				_	
Tobacco	••	212	169	165	+ 25%
Retailing		15	(2)	44	7 501/
Paper		27	38	14	— 29%
Packaging & Printing		9	11	10	- 18%
Other setivities		11	. 4	14	+ 175%

247 **+ 25%** 220 The results of overseas subsidiaries have been translated into sterling for the purpose of this report at rates of exchange ruling on the latest convenient date (7 September 1981). Comparative figures have been translated at rates ruling on 31 December 1980. since when sterling has depreciated against most currencies. The favourable effect of this exchange rate movement is estimated to

Dividends The Directors have declared for payment on 4 January 1982, a second interim dividend out of the profit for the twelve months to 31 December 1981 at the rate of 8p per share on the Ordinary

for years across the world".

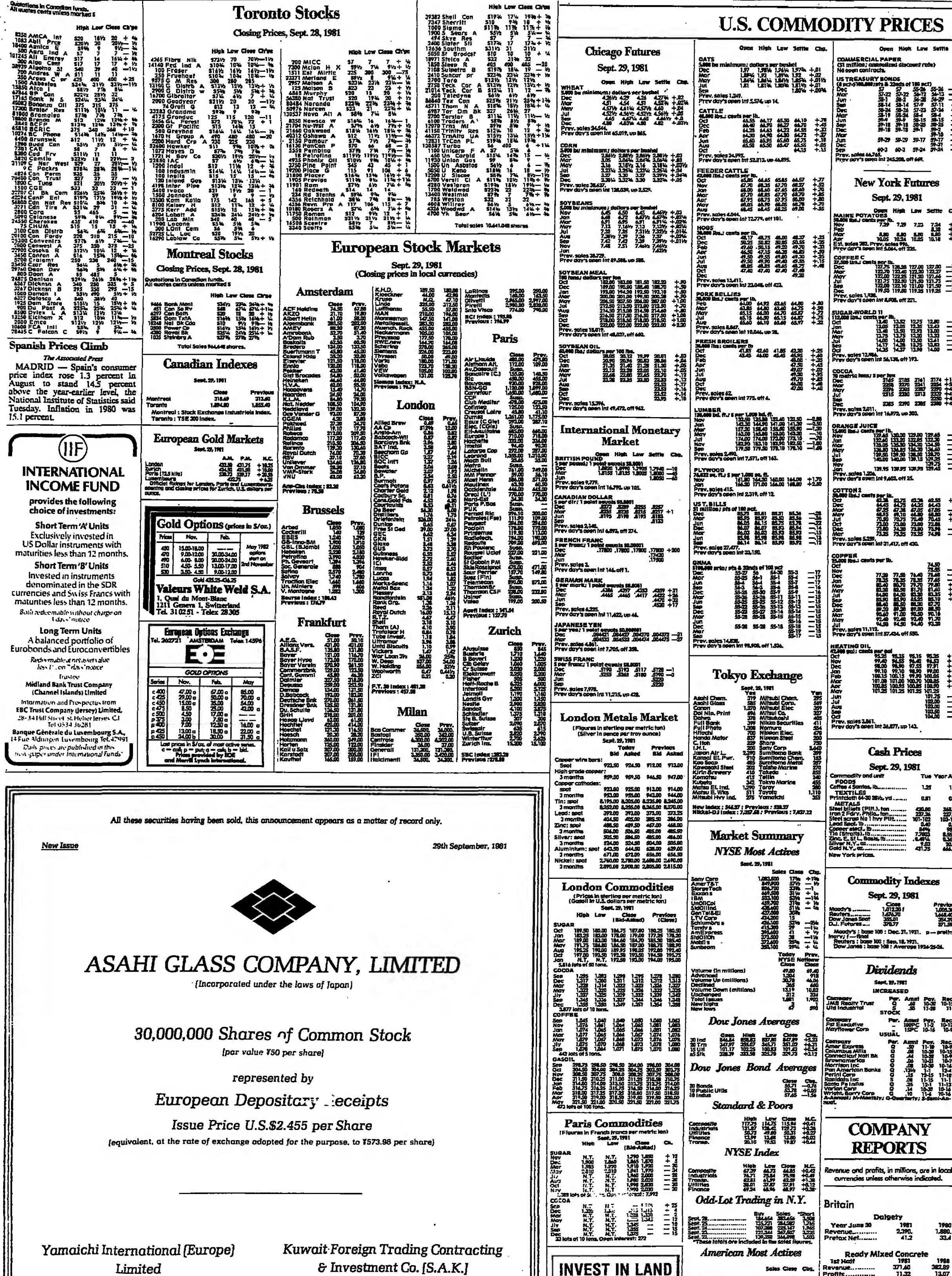
London SW1H ONL

the second interim dividend. B-A-T Industries p.l.c.

riip.

Windsor House

50 Victoria Street



art a alaketon a avertonal aggrafonalus. A kikkevitting og ministrik i g older kluukevitik ovg kyone

New Highs and Lows 62.28 64.28 64.25 64.43 67.05 67.05 68.00 70.45 70.45 73.00 72.85 73.00 73.36 75.25 74.50 Tue Year Ago 1988 382,89 13.07 0,133 11.32 0.112 Swire Pacific 713.7 32.31 1.97 29.78 1.82

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USRITY Inv
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Wolt,1 1,40pt
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MichCG 2.05pi Alcoa, Shell Units Sign Agreement On Brazil Venture Resders

Tuesday's

NEW HIGHS-3

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PLATINUM
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Jan 417.00 442.00 408
Apr 471.90 427.00 428
Jul 447.00 447.00 448
Oct
Prey, sales 4,329.
Prey day's open int 8,674, att 37.

—1,98 —1,37 —1,37 —1,25 —1,29 —1,20

PITTSBURGH - Aluminum Co. of America said Tuesday that its Brazilian affiliate, Alcoa Aluminio, and Royal Dutch/Shell group's Shell Brazil signed final agreements forming a consortium to own and operate the \$1.2 billion Sao Luis alumina and aluminum project under construction on the northern coast of Brazil.

The new firm, Consorcio-Alumar, is 60-percent owned by the Alcoa affiliate and 40-percent owned by Shell's subsidiary, which will be renamed Billiton Metais. The alumina and aluminum plant is scheduled to be brought into production in 1984 with a ca-

pacity of 500,000 metric tons of alumina and 100,000 metric tons of aluminum, Alcoa said. Initially, production at the Sao Luis plant will be for Brazilian domestic consumption, but Alcoa said the facility has the potential

to be expanded. The joint agreement with Shell also includes a provision for a

study on a bauxite mine project in Trombetas area of the Amazon River region.

Polish Debt Talks Require 3d Day

VIENNA - Talks between a 21member task force representing Poland's 460 Western bank lenders and a Polish delegation on res-cheduling \$2.4 billion of Poland's Western debt will go into a third day Wednesday after proving more complicated than expected banking sources said.

The Western bankers are trying to persuade the Poles to accept proposals to defer 95 percent of their debt repayments due in the last nine months of this year, but the Poles reportedly are pushing for a 100-percent rescheduling. Austrian Chancellor Bruno Kreisky meanwhile said here he does not think Poland's problems should make Western creditors deny loans to other Communist

U.S. Will Reduce Airline Flights By Another 5%

The Associated Press MINNEAPOLIS — The Federal Aviation Administration plans fur-ther cutbacks in commercial flights to deal with the air traffic controllers' strike, FAA Administrator J.
Lynn Helms says.
The FAA will order commercial

airlines to reduce their flights by an additional 5 percent on Dec. I. Mr. Helms said Monday before addressing the National Associa-tion of State Aviation Officials in Minneapolis. Since about 12,000 members of

the Professional Air Traffic Con-trollers Association went on strike Aug. 3, air traffic nationally has been reduced by 17 percent.

Mr. Helms said the additional

Revenue......

Per Shore.....

Hong Kong

United States

Per Share ...

2nd Quaf.

1st Half

Revenue.....

Profits

Per Shore

Revenue.....

Per Share

Today Prev.

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161 195
775 844

CM. +4.17

Eurocurrency Interest Rates

cutback will help working controllers deal with dangerous winter conditions and allow them more time off. Domestic air travel is normally lighter during the winter than it is in the summer.

Sears Financial Branch Sets \$2-Billion Credit

Reviers WILMINGTON, Del. — Sears
Roebuck Acceptance Corp. has arranged a \$2-billion, eight-year
credit with a group of U.S. and
foreign banks led by Morgan
Guaranty Trust of New York, the
Sears subsidiary announced Tuesday. It will use the credit to back
the issuance of commercial paper.
The loan will have three pricing
options — the prime rate, the Lonoptions — the prime rate, the London interbank offered rate and domestic certificates of deposit rates. Sears officials declined to disclose further details.

& Investment Co. [S.A.K.]

Banque de Paris et des Pays-Bas

Kredietbank N.V.

We are a Bahamian company,

Our specialty: brokering land

And, in our opinion, one of

the best current investments

in the world you can make is in

a well-selected and -negotiated

The right piece of land is

appreciation potential, and

has minimum risk.

piece of California, U.S.A., land.

management-free, holds maximum

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by officers of the company

for your enquiries and affairs.

and personal attention

Let us tell you more.

as an investment.

headquartered in Nassau, Bahamas.

AguimCon g MudsBOllg GuifCon g

Unchanged Total Issues New Highs New Kiws

1680 254.54

Volume (in millions) Advenced Volume Up (millions)

Declined Volume Down (millions)

AMEX Index

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The National Commercial Bank

Société Générale

Westdeutsche Landesbank Girozentrale

Limited

Abu Dhabi Investment Company

Morgan Guaranty Ltd.

Citicorp International Bank Limited

J. Henry Schroder Wagg & Co. Limited

Swiss Bank Corporation International

Limited

AMEX Nationwide Trading Closing Prices Sept. 29 Tables include the nationwide prices up to the closing on Wall Street.

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CD COREN Dive SIA OF	1896	12-11	9936 998a	Noti Westmin 54-72	16 12/16 10-23 98%	797/2
gr Tutt	M2\19	11-25	991/2 992/	Noti Westmin 54-94 Noti Bk Canada 54-88	16 3/16 10-14 9841 17 5/16 3-24 98.95	99,30
SITEMONE SULLED.	1670	16-23 8-26	991/2 997%	Nicoon Credit 514-85	1776 12-24 99-55	97.50
K I DEVO Hele Claus	1674	12-18	98,70 99,05	Nippon Credit 6/2-86 Nedlibra Fin 5/2-88	185/16 1-14 99¼ 189/16 12-4 98%	99%
	15 15/16 15 15/16	10-22	100% 101%	Nacional Fir.572-86	17% 12-24 97%	9814
Tokyo Hdg 1987 Tokyo Hdg 1988/91	15	1-25	991/2 997/2	Nacional Fin 5/2-88/71 Nacional Fin 6-85/73	175/16 \$-25 96% 19 1-7 101	9774 1014
	19. 1934	2-4 10-27	130 1009a	Cesterreisch Bk 574-66	197/16 17-18 9946	
	16%	10-21	98,50 99,15	Pop. Espand 74-81 Bk Scotland 74-83	183/16 11-30 994	10216
	175/14 1674	7-12 1-21	-9844 9914 99.55 99.90	Bk Scotland 574-66/74	1876 10-14 9914	997
PCE 646-82	1414	10-29	100 1907k	Someo (of Fig 54-88	1774 9-24 9877 187/16 1-15 9872	9876
NP 7.23	1966 195416-	3-1	10014 10044 199,49 100,75	S.G. Alenc.544-89/91 SGB 514-87	16 15/16 10-30 991/2	994
NP 1882 /g	161714	7-21	99.85 100.20	SGB 1989/92	185/16 12-31 99/4 183/16 12-31 99.95	9944
NP SULEY	1674	3-21	·10016 1001/2	Stand & Chart. 5/2-70	19 2-16 994h	100
	79 1/14	B-22	. 7744 100	Stend & Charl.514-90	191/16 3-9 99.70 1814 11- 30 98 7 4	971
NIP IVE	18 13/16 174	18-30	77.5D 99.75 78.7D 99.05	Sumitorno Fin 5/2-66	19 9/16 2-8 9910	7972
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k Witnesser and the	14 12/14	22	9974 9974	Sundayolisbicen 6-65	1976 2-24 9996	997
	TO TAIL	12-17	991/2 100	Trade Develop 6-66	19% 2-24 98% 18 12-23 98	9924
Ext Almeria tours	12 TO HE	2-0	97 98 -	URAF 434-82	1514 9-28 9996	100
Cross Rose & an	10 A3		- 78th - 4064	11BAF74-82	1774 12-9 997/2 16 13/16 10-22 99.80	99% <u>6</u> 100.35
	193/14	11-30	7936 0056 7735 100,00	Union Norway 6-89	18% 1-6 98%	981/2
HOME INTERN	193/14	9-30	79.40 OR 7C	Linked O'seas 7-67	183/16 11-30 9914 199/16 12-11 10014	100%
		12-10	99 20 200, 15 1994 1884	United O'segs 6-89	19 9-30 99	9954
Jacob Living C.M.	18 13/14 16%	12-2	77.55 77.80	Urcello Intl 74-61	18 1/16 12-23 9945 17-4 12-23 99	9944
UCE Street			9944 9994	Viscovo 744-8	197/16 11-12 100	_
CE 282	18/3/14	12-17	9992 9974	WIL GIVE'S BE AVE-84	1962 2-26 10074 1874 3-16 9974	101 Va
Felt-83	15V2	1-13 1-13	99% 10014		18 1/14 1/11 9634	40
CONTINUE CLARA	1744 .	11-6 11-23	99,70 100.05		Donles	
"VICTOR SYSTEM (97		12-16	99	1,400	Banks	
	19	2-16 3-18	TOOM TOOM	Issuer-Min cpq-Mat.		Askd
AUT LAGE J SIE-18		1-13 -11-5	98.95 99.30 994 9956	Alto 10-86	18 12-18 9612 19 15/16 11-9 9814	971/2
	MATH	11-5	70% - 77 77.50 100.05	Espetral 7-54	TH 3-23 99	100
	173716	·11-5	9034 9034	IC industries 1991	185/16 1-15 96%	9714
ACOCUR 1989:		12-17 12-24	90 997	C. 110h 514-67	17 13/16 3-18 99%	9417
n negativent eran	171k	12.71	POSE TOOK	Thalland 7-24	183/16 3-17 98/2	97
ZB 6-83	367/14	77.76	100 1003e	Sumi Heavy 575-84	12-13/16 12-13 100	
ZB 54.49	TYPE	: П-5	9914 - 8040	Sweden Black 01	18 15/16 1-21 9614	100%
LI 4-62	Title 4.	12-7 3-15	9842 9839 160 :—	SOTTE: 5-54	1814 72-8 997	10074
U 516-185	# 72/1¢	71-1	6934 100VE	Teads Airlines 7-86 TVO Plock-PT	1792 10-14 81 1814 11-30 9636	86 97
U 44-82 U 516-85 U 516-85 U 516-85	771/16	42.3	9996 100 9994 100%	Offshore Mirt 1984	189/14 1/21 9974	10014
00-50mg (14m5c -	193/16		77.45 97.90	Private I.C.Asia 7-86	1911/14 2-10 954	10814
00-504::- 512-98· ·	T014	1-13	9974 10014 9914 9912	Pointex 4-89/97	155/76 TOUR 9714	77-4
op av-er	10.0	35.77	PG_65 780L20	Tubos Mexico 1999	1931/14 7-27 97	9574
Pillwart Ren Est. 97	171716	1273	99% 10014 984 99%			
			- XXX	Prices supplied by C	Perilè Colone Mant D	
		10-1	9874 9874 9744 98	Lid. London.	A ADMI SALESSAL N ZI D	OP NAME

Selected Over-the-Counter Closing Prices, Sept. 29, 1981

1). 5 15. 15.

The following	ing list is a	ConPos	261/2 27	Kamon s	1774 1814	POSVNC	10 1044
	tional Secu-	Condis Cros Tre	23% 23%	KeliySv	6 64	Puri Ben Puri DCco	22% 23 10% 11%
rities Dec	ilers Assn.	CuttrFds	142 2	Keuffel	42 2674 2874	QuakrCh	1612 17
over the co	wnier Bonk	Cyclinen	744 814	Kimboli	197 20	RogenPr	1244 13
Insurance	& Industrial	DtaDes s DoytMai	11% 11% 21 22	'Kingint KloofG	1% 1% 30% 31%	Roychm	50-4 52 18 1814
stocks.		DBeer	45-1667-16.	KnopeV	14% 15%	Recves	221 234
AELIN	1114 1146	DekibAp	2314 2315	Krutos	1014 104u	RoodEx	40 4044
AFAPro	1674 1272	DefConT DeweyEi	3 34	Kulicite Luncein	1344 1344	Roselon	3417 36
AVMCP	74 736	DieCrys	20 271/2	LondRes	5 54	Rouse	1815 1834
AddisnW	10 10%	DixnCrv	37 35	LoneCo	33% 331h	RusSlov	1994 1995
Adv Ross	21/2 24h	Docuti s Dolla Go	2424 25 1244 13	LidSter	26% 26% 11% 13%	Sadiler Saleco	34% 4 34% 35
AfiBan a	1812 19 2874 29	DoyIDB s	15% 15%	LinBest	2912 2574	SHelGd	331/2 34
AlexAlex	46 47V2	DriefCn	26% 27	Logern	7744 1814	StPout	45 4612
Altex	Jan 37%	DunkD's Ducims	7176 7276 14 1476	MCIC MGFOs	2214 2214 10 1014	Sensor	.7412 7815 2414 37
Amarex	1994 20 494 444	EathViiC	11 12	ModsGE	1470 1510	SycMer	121/2 1234
AFurn	14% 14%	PeonLab	1646 1646 1046 1046	Monei P1	474 5	Svems1 s	2412 2474
AInGes	544 57	ElPas El Elder Be	572 64	MeemP MeiRt	42% 42% 2% 3	Shwmui s	201 201
AMICTOS	1814 1812	EleNuci	876 876	Makets	4013 4013	SieraRs s	1314 1314
ADoose	1514 1514	ElWodi s	17% 18 8 8%	Morions MoulLP	7 716	Siliconx SCofWir	1845 19 1845 11
AResMo	1014 1012	EnrDev	314 31c	MayPt	291/2 31 243/2 25	SwEISv	1374 1414
Aweld s	19 20	EnRsv	13 13%	MoynOll	P 914	SwEnr &	12 1212
AngSA	1254 127	Entwisti EqutSL	734 81/2 9 91/4	McCorm McFarl	16% 16%	Standyn	36% 37% 570 0
AngAGd	1372 1374	EdiOII	914 914	McQuay	13 13%	SidRess	30 to 31 %
AntaCp AppleC	1479 1514	FSC	3-32 4	MeyerF	4974 4944	StonHP	301/2 37
ADICIAN S	15 154	FabriTk FarmGp	76 74 2812	MidsxW MdidCap	1614 17 844 914	SteriSt StrowCl	31/3 37/4 257# 27
ArdenGp	40 400	Fidicor	20 2014	MidRes	1 1-16 114	Subaru	3414 3476
ANGOLI	154 154	FIBKSYS	364 25 2512 2614	MidiBks	314 314	SuperEl	67 74 21 213
Allenas	1572 1574	FtBostn FtEmpS	251/2 2614 1514 1614	MissylG	1744 1744 1344 14	Sykes s TDK a	21 2134 32 32V2
BairdCo BailyPP	7 714 540 540	FIWnFin	374 374	Moles s	3714 38	TIME DC	Vo I
BONDHE	994 10%	FlegBks Flicker	24% 24% 79 18%	MontCol MonuCo	4% 4% 174 17%	Tompox Tonom s	2014 2014 2714 2715
ScsicRs 9	434 45h	FlogiPs	1914 1915	MoorePd	2414 25	TecumP	5619 5712
Books Fr Boyls Mk	23 234	FlanFla	2244 23Vz	MoreRes	314 4	TelcmA	1715 1734
Beeline	24 9 .	Fluroch a ForestO	714 744 2414 2417	Moranin MatClub	294 BV2	Tenont's TexABs	16 16V2 28 28V2
BentPt Bativ s	13-16-15-16 35% 36%	Formiell	21/2 274	Mueller	28 29	Tiprory	234 2312
BetzLab	5074 514	FrankCP	8% 10 1572 16%	Norracos	1612 20 1644 1 63 4	TemiOli Toyala	47% 48Va
BevMol	1176 1162	FrenkEl FreeSG	3914 397	NDID 5 NJNGOS	124 1215	TricoPd	231/2 25
BibbCo	104 104	Fremnt s	144 15	NYAIM	64 6Th .	TrovG eti	136 136
Birtchr	5 5kg	FullrHB GnAufm	714 714	NickOG S Nicolet	20 204	TysonFd UnMcGii	1115]14 194]94
Bononz	1246 1246 216 24	GnDevE	314 314	NielenA	3634 3744	USER	64L 714
BrwTom	241/2 2474	GRRIEST GOVEFN	674 742	i NielsnB NoCarGs	3716 3776	USSer USTrck	2144 2214 1214 1246
Buckbee	57b 9	GraSen s	384 382	NoEurD S	134 1415	UVaBsh	337 34
Buffels BurnupS	3694 3914 1184 12	Greenss	1076 1154	NWINGS	1012 1075	TUVENS	1242 1312
CNLFID	2 212	GreyAdv	5812 60 1612 1712	NwstP5 Nozeli	74 144 2616 2676	JpPenP JociR	114 11 4
CPT'S CalWISV	1642 1644 30 31	Gyrodyn	64 7	Nucre s	171/2 1744	Jainti s	24% 25
Cancadh	294 294	HamiP & Hardwke	23 23V2 244 3V2	Nu1r\$y s Oceaner	13 134	/anDus	1514 1574
COPER	1 5-16 1 7-16 12 13 ¹ / ₂	HIPROW	10 104	OglivyM	28 2814	Actro5t	6% 7
Cop5ws CpinArh	344 316 1	HarpGp	29 2942	OhloCos OhFerro	3974 3876	JOHOCO JONBSh	1644 1814
CoreCo	14% 15%	Hartini Hecting &	1794 1778	OfterTP	3646 1676	Mahenr	11 1112
Courrie	13 1314 32 33	HelmRac	240 24h	PCAINI	64 6V2	Melciirn	31/2 4
Chrm5 s	1244 1244	Henrd F Helebm	2314 2314	PobstB PoGoR	13% 14 19% 20	MeliGa s MDeep	1914 2014 3714 39
ChrtHou 5	16% 16% 23 23%	Hoover	972 1016	PauleyP	134 144	NGeor s	2734 28W
	15 17	HorizRa	374 444 1842 2074	PeerMi	1144 13	WHOID WINMID	56 5612 4 414
Chubb	4244 4294	IMSInt	1994 20	Pencent Pentair	13 134 1746 1746	wmor C	21 21.4
Cirfico CitzSoGa	6 61/2 746 71/2	Infraind	574 614	PropExp	934 934	WiserO	76 78 914 994
CIBUIA	30% 31%	intel	244 2415 Alm 644	Petril s Petribon	244 27 144 15	Momei Momei	834 9W
CitzUtB ClarkJL	26/2 25/2	IntentGs	914 94h	Phliatici	274 274	NoodLat	3174 3214
CRANCE	576 676	InBkWsh IwaSoUt	976 1044 1972 1976	Pierce55 Pinkrin	994 18Va 44 45Va	ArightW ZionUrs	64% 64% 22 % 23
Coir Tie	36 9-16	Jomsby	174 1774	PIONH B	4296 4276	n.a. Not go	
ColoGas ComClH	4144 41%	Jerico a	20% 20% 3714 3714	Ptostina	1/2 3/4 57/		_
CRISIN	1212 13Va	JoshynM KarisSt pf	17 1774	Possis PresGM	5 <u>52</u> 4 41 41 42	n.a,- No! ap	oticobie.
OnwTel	15 16	Kalvar	164 136	,		1	
	1						

25 "All—," early Berlin

27 Jealous suitor

"Pagliacci"

28 Place for a

pome

29 Beyond:

PTEEX

30 Berlioz's "Les

-d'Ete"

31 "The butler

33 Sun, to skin

32 Alleges

36 Merry

37 Formerly

46 Imprecation

41 De Larrocha

43 Italian navy

47 Kipling's
"——Sea to

45 Copland

46 Atwitter

Sea"

49 Gulf of ____

50 — figure

51 Ever's

partner 52 Not so hot

53 "Once more

Henry V

54 Kind of belt

56 Unclose, to

CF

13 55 Foir

24 75 Roin

24 75 Fair

14 57 Foir 11 \$2 Role

20 48 14 57 Stormy

32 98 20 68 Overcos

12 54 Foggy

19 44 Foir

26 79 Fair

14 57 Fair

23 73 FOOSY

29 84 17 63 Foir

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21 70 16 61 Overcosi

27 81 15 99 Showers

20 48 14 57 Cloudy

24 75 12 55 Stormy

12 54 1 44 Overcosi

DM 44.23

\$ 30.52 \$ 14.75

\$4,875.00

SF 140.00

DAK BLAT

1505

STALEZ

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RIO DE JANEIRO 25 M 24 75 Foir

Coleridge

--- the breach": King

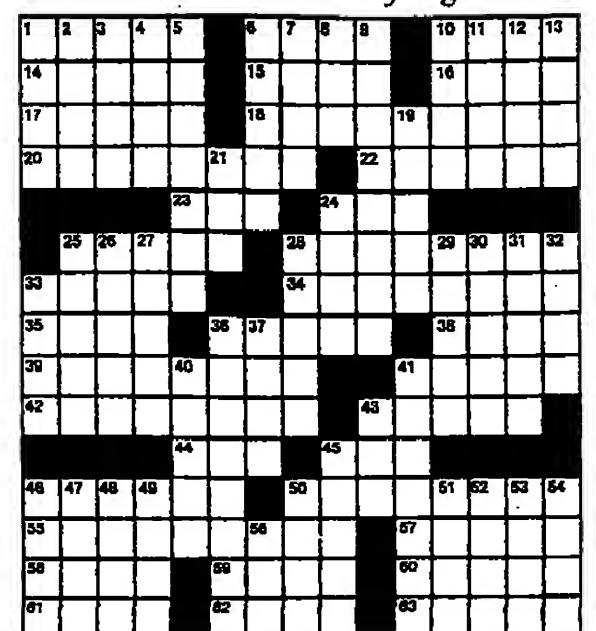
(attract attention)

Arabian Sea

48 Idle

and Markova

26 Incisions



I Where St. Paul was shipwrecked

Tabula

Not of the clergy 14 Kind of artery or vein 15 Ancient kingdom on the Persian Gulf

16 Part of an estate 17 Small, silvery food fish 18 Enchanted 20 Political party meetings 22 Photographer's word 23 Leaping light 24 What F.D.R. said he hated 25 Kind of dome in a Texas team's home 28 Ricochets 33 Pewter, for

34 "Praise ye the Lord!" 35 Enter 36 Gambling game using 40 cards 38 Word with 5um 39 Like a siren 41 "Arsgratia 42 Expedient 43 Kind of furnace 44 Rwy.

ALGARYE

AMSTERDAM

ALGIERS

AHKARA

ATHENS

AUCKLAND

BELGRADE

BANGKOK

BEIRUT

BERLIN

BOSTON

BRUSSELS

BUCHAREST

BUDAPEST

CAIRO

BUENOS AIRES

CASABLANCA

COPENHAGEN

COSTA DEL SOL

CHICAGO

DAMASCUS

FRANKFURT

GENEVA

HELSINKI

HOUSTOR

ISTANBUL

LISBON

HONG KONG

JERUSALEM

LAS PALMAS

WEATHER

CF

13 55 Fair

7 45 Fair

19 50 Foir

19 66 Claudy

12 54 F000Y

25 77 Cloudy

17 43 Fold

12 54 Cloudy

25 77 Overcos

20 48 Cloudy

17 43 F000Y

22 72 Overcost

14 57 Cloudy

17 43 Cloudy

7 45 Claudy

18 64 Cloudy

21 78 Fair

18 64 12 54 F00gV

76 61

ALLIANCE INTLE/o Bk of Bermudu.Berm. ~ (d) Allionce IntlaRevs.(31) 14.74-21

BRITANNIA PO Box 271, St. Heiler, Jersey
- Iwi Universal Growth Fund.... 1,127c
- (w) High interest Sterling...... 274,900d

—+(d) Concentre DA 17.36 —+(d) Int'l Rentenfond DA 61.16

FIDELITY PO Box 670. Hamilton, Bermud
— (mi American Values Common \$11.5
— im) American Values Cum. Pref. \$1023
— iw) Fidelity Amer. Assets. \$221
— (d) Fidelity Dir. Svas. Tr. \$221
— (d) Fidelity For East Fd. \$281
— iw) Fidelity Int'l Fund. \$231
— (w) Fidelity Pacific Fund. \$231
— (w) Fidelity World Fd. \$193

JARDINE FLEMING PO BOX 76 GPO HORE

POTHSCHILD ASSET MGTM (CI):

SWISS BANK CORP
— (d) America-Valor—
— (d) Intervalor

UNION BANK OF SWITZERLAND: — (d | Ames U.S. Sh.,...) — (d) Sond Inwest.,...

-- Id) Japan Portfelie.

- Id I Convert-Invest.

INTERNATIONAL INCOME FUND
28-34 Hill St. St. Heiler, Jersey
— (d i Short Term 'A' (Accum) ...
— (d i Short Term 'A' (Disit) ...
— (d i Short Term 'B' (Accum) ...
— (d i Short Term 'B' (Disit) ...
— (w) Long Term ...

CAPITAL INTERNATIONAL

— (w) Copital Intil Fund

— (w) Copital Italia S.A.

— (w) Convertible Copital S.A.

DIT INVESTMENT FRANKFURT

45 Poetic pugilist 46 Quick as— Mountains, hi the U.S.S.R. 55 Spot for a 9-year-old 57 "---- ear and out . . . " 58 Exude

59 Incumbent 60 Vald'---Italian Alps resort area 61 William Webster's agents 62 Like Cassius 63 Snub DOWN I File sect. 2 Sir Lawrence

------Tadema English painter 3 Stead 4 Household powder 5 Risk calculator 6 Old minstrel's instrument 7 Brews 8 Maxim 9 Friendly 10 Intertwine

11 Yearn 12 Angers 13 Homophone for seed 19 Spasin or pang 21 "No seats" sign 24 Strip of shoe

MANILA

NAIROBI

PRAGUE

SAO PAULO

TEL AVIY

WARSAW

ZURICH

Readings from the previous 24 hours.

ADVERTISEMENT

INTERNATIONAL FUNDS

September 29, 1981

The net asset value quotations shown below are supplied by the Funds listed with the exception of some tands whose quotes are based on issue prices. The following marginal symbols indicate trequency of quotations supplied for the IHT:(d)—dality:(w)—weekly:(m)—monthly;(b)—bi-monthly;(r)—regularly;(l)—irregularly.

WASHINGTON

— (d) Unirenta

(w) Alexander Fund

(r) Arab Finance I.F

Copital Gains Inv......

b) COMETÉ

(w) Convert. Fd Int. A Certs

(w) Currency Trust (w) Date Force Inti

(d) Draytus Fund Int'l

(w) Drayfus Intercontinent

(d) Energy latt. N.V.

(w) Fonselex issue Pressure

(w) Formula Selection Fd......

(d) Franki-Trust Interzins......

d) Global Fund Ltd (d) Global Int'l Fund

(w) Houseconn Hides. MV

(d) Indosuez Multibonda A....

[r] Invest Atlantiques......

(w) Jopon Selection Fund.....

(W) JODON POCIFIC FUNG.....

Iwi Kleinwort Bens, Jop, Fd,..... (w) Leverupe Cop, Hold.

(d) Medicionum Sei, Fund

lw) Nor. Amer. Inv. Fund......

(d.) Ponmer Shipping S.A.

(d) Putnom Intern't Fund......

(d) Safe Trust Fund

(w) Summer Particle.....

(w) SMH Special Fund (w) Teletil Global Fund

(w) Transpocific Fund

(m) Winchester Diversified ee

(w) Workfwide Security (w) Workfwide Special

DM — Decische Mark; — Ex-Dividend; — New; N.A.— Not Avallonie; 84 — Belgium Francs; LF — Luxeribourg Francs; SF.
Swiss Francs; 1— Offer prices; 6— Asked; 6— bid Change P/V \$10 to \$1 per unit; 3/8—

Stock Solit; ** -- Ex RTS; "5" -- Sugneticed; N.C. -- Not communicated; * -- Redemon price-Ex-Coupen; [] -- Yield on US\$1.00 unit; ** Formerly Worldwide Fund Ltd.

Investe DWS.....

) (ndosuez Multibonds B....

) John Securities Fund......

Stollariune Int'l Fd S.A.

| Kleinwort Benson Int. Fd.

(w) J.Rethechtid | pt Livs 'A' L.F 550.00

(a) KB Income Fundamumoum LF 1,4200

(w) Quantum Fund M.V. \$1.307.00

(w) First Easle Fund.....

(d) Fooditulia

(w) Luxtund...

(w) Niscon Fundamen

(d) Sole Fund

(d) UNICO FUND

Other Funds

m) Cleveland Offshore Fd...... \$1,344.02

MEXICO CITY

YOU SHOULD GO OVER AND TALK WITH THAT LITTLE RED-HAIRED GIRL, CHARLIE BROWN

I'M SELLING THIS

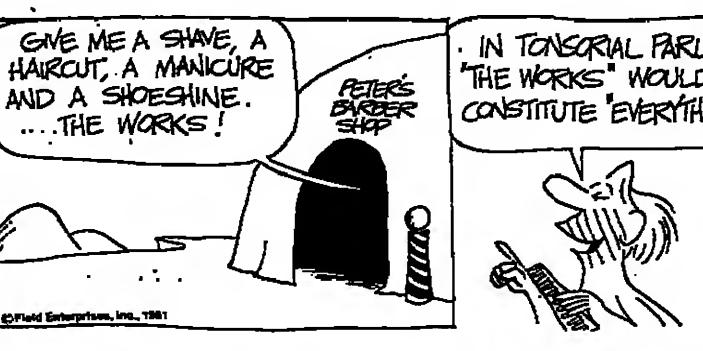
REVOLUTIONARY

SCOOPER-DOOPER

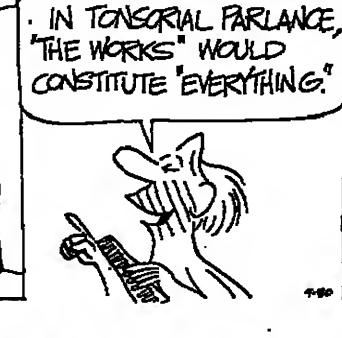








OF ICE CREAM WITH IT

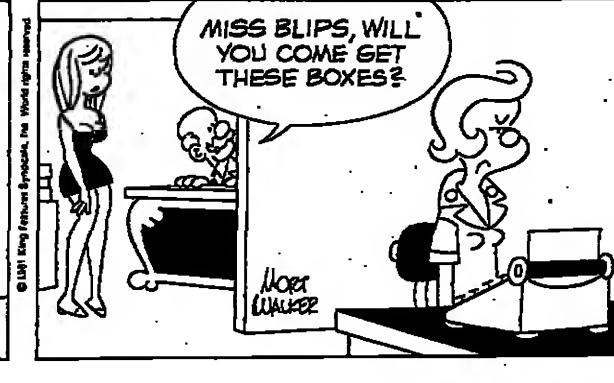








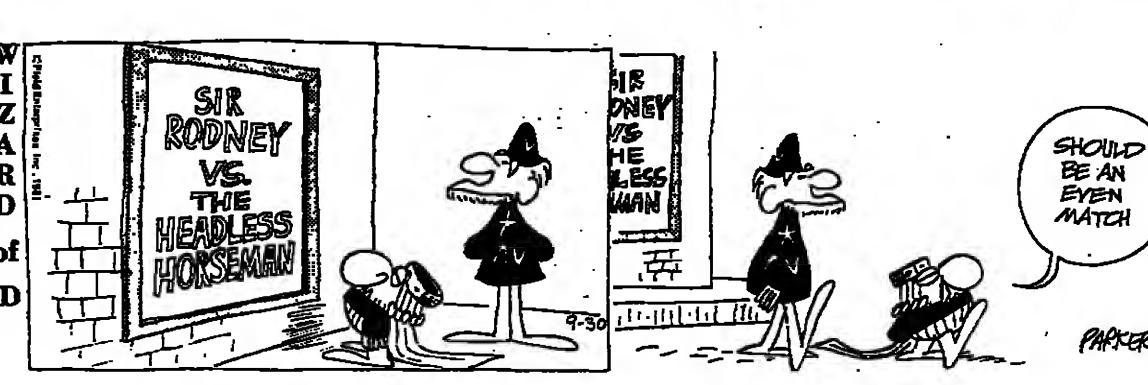
















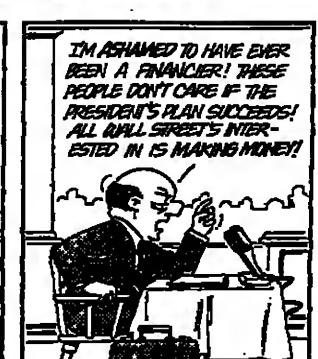


GOT ABOUT MY DAD?

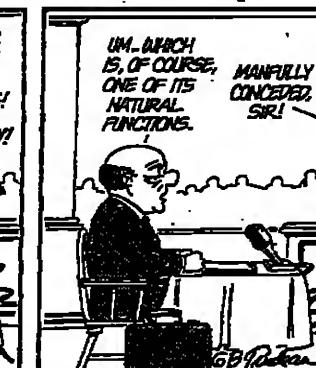
WOULD YOU LIKE TO I SURE SEE A SCRAPBOOK IVE WOULD!

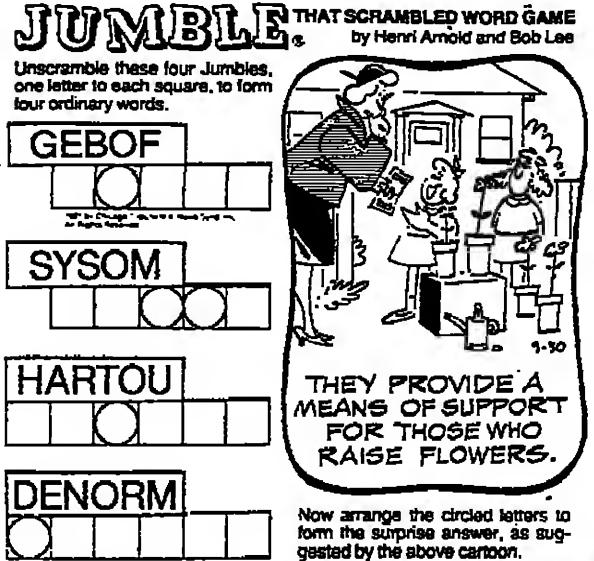






DENNIS THE MENACE





Print answer here:

(Answers tomorrow) Jumbles: PANSY TARRY ENTAIL GAMBIT Answer: What you have to get when you want to start making love-A LITTLE "GAL-AN'-TRY"

Imprime par P.I.O. - I, Boulevard Nev, 75018 Paris



"IF I WAS YOU PEOPLE, I WOULDN'T EVEN GET UP THIS MORNING."

EMOTION, MYTH AND METAPHOR

By Robert C. Solomon, 347 pp. \$15.95. Doubleday / Anchor Press, Garden City, New York 11530.

Reviewed by Anatole Broyard

WE don't "fall" into love, Robert Dursue novelty or a less risky emotional life is opposed by an awareness of love. It is not a necessity, but a luxury, not a feeling, but an emotion. "Our emotions are neither primitive nor 'natural," but rather intelligent constructions, structured by concepts and judgments that we learn in a particular culture, through which we give our experience some shape and meaning."

Love, writes Solomon, who is a professor of philosophy, is not an involuntary expression of human nature, but a decision that we make. Though

but a decision that we make. Though it may sometimes be "spontaneous," more often we think and talk our way into love.

"Love: Emotion, Myth and Meta-hor" examines the fashionable pieties of writers such as Rollo May and Erich Fromm. According to Solomon, they have raised love to the status of a religion. "The word love," selves and compensate for the anohe observes, "is so full of praise and syminy, impersonality or possibly
self-congratulation that just to use it is frustration of public life." already a sign of character."

cure for loneliness, not "two solitudes Rilke wrote, for in Solomon's opinion, "the idea of the isolated self is an American invention." Nor is "com-What we enjoy is not exchanging information about ourselves, but sharing our identity with someone in a " partial redefinition of the self, a temporary shaping of its fundamental indeterminacy.

We don't "work" at love: we "love" at love, if we can. It is not a "commitment," but a dialectical process, a tension between autonomy and shared identity. "People 'relate' to each Solomon observes, "as they 'relate a story,' perhaps on the idea that what couples do most together is to tell each other the events of the

Referring to a definition of the ideal lover arrived at by a Playboy poll - "someone to be totally open and honest with" - Solomon points out that you can do that with your cat. Discussing the Freudian theory that mothers are role models for lovers, he asks: "Why didn't Romalus, raised by a she-wolf, rape his dog instead of the Sabine women?"

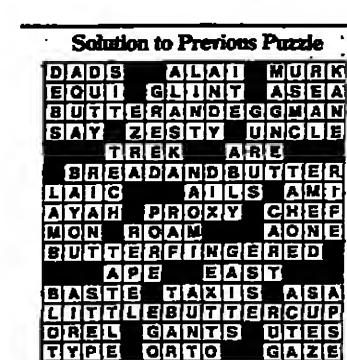
The Loveworld

Emotional values have been confused with moral values, until love has acquired a disciplinary or punitive tone. Intimacy is too often equated with vulnerability, a confession of shameful secrets. The real secret of intimacy, the author contends, is not. West confession, revelation, or communication, but privacy, the feeling of two people apart from the world and securely located in what he calls "the loveworld."

Sex is not overdetermined as Freud would have it. but underdetermined: it has too few reasons rather than too many and so invites projection. Solomon quotes Uta West, who wrote that "We no longer have instincts; what. we have instead is myth."

One of the components of love is anxiety: an extraordinary "sense of power, an awareness of risk, a kind of enthusiastic fatalism." what Nietzsche called "amor fatt," love of fate, living: on the edge. Sex is an occasion for love, rather than a cause of it. Speaking of equality in love, the authorquotes Stendhal: "Love does not find, but creates, equals."

"The decision to love is a decisionto foster a set of conditions conducive to love, encouraging but not requiring the formation of imitual interdependency and shared self-identity." The temptation to give up love in order to



What is so good about love?" the author asks at the end of "Love: Emotion, Myth and Metaphor." And he answers: "Love provides us with iden-tities, virtues, roles through which we define ourselves, as well as partners to

There hasn't been a good, compre-Love is not, for example, a mere hensive survey of love since Denis de Rougemont's "Love in the Western reaching out to greet each other," as World," which was first published in 1940 and revised in 1956. Now there is. If you read Solomon's book, you'll be in the enviable position of knowing munication" the ultimate aim of love. what you mean when you say "I love

> Anatole Broyard is on the staff of The New York Times.

Sit-Up Suit Is Dismissed **Against Guinness Book**

United Press International LOS ANGELES — A Superior Court judge has dismissed a \$5-million suit against the publishers of the Guinness Book of Records and the ABC network filed by a woman who won a TV competition with 13,104 situps in 12 hours but didn't get mentioned in the 1981 book.

Gayle Sharon Dickie, a physical fitness expert, sought \$381.56 per sit-up, and punitive damages. But Judge Leon Thompson dismissed the suit, saying it was legally defective and the claim unsubstantiated. He gave Dickie 30 days to amend the suit and refile if she can strengthen her claims.

Best Sellers

The New York Times This list is based on reports from more than 1.400 bookstores throughout the United States. Weeks on list are not necessarily consecutive."

FICTION THE HOTEL NEW HAMP-SHIRE, by John Irving CUIO, by Stephen King...... NOBLE HOUSE, by James Cla-4 THE THIRD DEADLY SIN, by Lawrence Sanders.... GORKY PARK, by Martin Cruz BREAD UPON THE WATERS, by Irwin Shaw..... THE LAST DAYS OF AMERI-CA, by Paul Erdman.

8 THE GLITTER DOME, by Joseph Wambangh

9 GOODBYE, JANETTE, by Harold Robbins

10 THE CARDINAL SINS, by Andrew M. Greeky
1 LUCIANO'S LUCK, by Jack Hig-THE CLOWNS OF GOD, by Mocas West 13 THE LEGACY, by Howard Fast.. -

15 GOD EMPEROR OF DUNE by NONFICTION THE BEVERLY HILLS DIET, by Judy Mazel THE LORD GOD MADE THEM ALL, by James Herriot NEVER-SAY-DIET BOOK, by MISS PIGGY'S GUIDE TO LIFE, by Miss Figgy as told to Henry Beard.

5 LIVING ALONE & LIKING ITI, by Lynn Shahan

14 NIGHT PROBE, by Clive Cossler. 10

6 THE CINDERELLA COMPLEX by Colette Dowling.
7 HOW TO MAKE LOVE TO A MAN, by Alexandra Penney [3 8 KEEP IT SIMPLE by Marion 9 JANE BRODY'S NUTRITION

12 THEORY Z, by William G. Ouchi.
13 THE EAGLE'S GIFT, by Carlos Castaneda

14 THE HITE REPORT ON MALE

BRIDGE

COR a politician or a junkie, a "fix" may lead to suffering. For a bridge player, it always does. Events over which he has had no control have led him to believe that the gods of

bridge are punishing him.
One type of fix occurs when the opponents bid to a ridiculous contract and the defense has no way to best it. Another arises when the declarer misplays the hand successfully when the right play would have failed. When both types occur in one deal

the result may be a candidate for. "Fix of the Year." On the diagramed deal, the bidding began normally, with a weak jump to two spades over one heart and a reopening three-diamond by South. North now decided that his hand was much better than it might be, with two jacks that would help his partner and an ace, so he jumped imaginatively to four hearts. Since North would have strained to

bid three hearts on the first round with a moderate hand, South should now have passed. But he plunged ahead with Blackwood and settled in six hearts when he found that his partner held an ace. When the opening spade lead was

won with the ace in dummy, South's prospects were very poor indeed. He needed to run both red suits without loss, and this was likely to be his only opportunity to lead from the dummy. He could take a heart finesse and hope for a singleton diamond king but it was rather better to lead diamonds from the dummy. He chose to lead the diamond jack at the second trick, and this worked like a charm. It did not matter whether East covered or not, and he chose to play low.

the queen successfully, played his top trumps to drop the queen and trium-The alternative play of a low diamond to the queen at the second trick, would have failed against the actual

When the jack won, South finessed

By Alan Truscott

distribution, but was slightly better. I would have gained when East held, doubleton or singleton king, althou it would give him the opportunity. It a brilliant false-card of the king from king-ten doubleton. "He just made a 2 percent slam b

misplaying it," moaned West after short pause for calculation. "I don't think the gods intend us to win match." And they didn't.

NORTH

◆A52 **D16** OJ43 **4**J9762 WEST EAST ◆KQ10863 **4**J94 ♦ K85 ♣KQ1043 SOUTH(D) **VAR10984 ♦**AQ972 Neither side was vulnerable. The bid-

West East North 24 Pass **Pass** Pass 47 Pass Pass

Pass Pass

West led the spade king.

50

Pass

Pass

Effort to Unionize College Athletes Announced in U.S.

By Bart Barnes

Washington Post Service WASHINGTON - Two former oilege sootball players and the NFL Players Association have annamed plans to unionize college stilicies, saying they would debit share" of the revenues they generate for their schools.

Asserting that athletes at collegithe athletic superpowers are, in reality, workers, Allen Sack, a former Notre Dame defensive end,

Collegiate Athletic Association would not go over. What you end talled the proposal to unionize up with is salaried players, which players "notally contrary to the is contrary to the entire spirit of mint of college athletics." He said college athletics." a would have severe repercussions

Drive for Locals

Kermit Alexander, former said that in some cases college athletes should be entitled to direct compensation for their revenueproducing efforts.

Sack is project director and Alexander field coordinator for the newly formed Center for Athletes' newly formed Center to CARE).

Rights and Education (CARE).

Consking at a news conference Speaking at a news conference Monday, they said that during the coming weeks CARE staff members will be visiting college campuses to organize union locals. Cary Goodman, executive director of CARE, said the union would be for athletes in all sports, but officials said initial organizing efforts would be directed at the

> general university fund," Good-- 36 5 Other organizations supporting CARE are the National Conferance of Black Lawyers and Sports

schools that supply the majority of

players for the NFL. "We are op-

posed to the exploitation of a

number of athletes for the

for People Inc. "By the time an athlete gets into the professional ranks, it is almost too late to protect some of his rights that may have already gone by the boards," said Ed Garvev. executive director of the NFL Players Association.

Bill of Rights'

Sack, a sociology professor at the University of New Haven who played on Notre Dame's 1966 national championship team, outlined what he called an "Athletes Bill of Rights."

Among the demands are the right to mition-free courses at any time in order to complete degree requirements; multiyear grants-inaid to permit athletes to complete their degrees even if injured and mable to play; remedial courses; tutoring and counseling; the right to form unions and baryain collectively, and the right to share reve-

Participants in the press briefing stopped short of advocating direct cash payments to athletes, but they did say that there should be an insurance system for injured athletes similar to workmen's compensa-

nue they generate.

College Football Polls

The Associated Press NEW YORK -- The Top Twenty learns in The Associated Press college factball poll, with firstplace votes in parentheses, season's record and latel Points. Points based on 28-19-18-17-16-15-14-Southern Col (571/2) Tenes (1) 3-8-8 - 1,104 2-0-0 1,827 5.0kiohama (1) Worth Caroline (T) 3-0-0 L/MChipen 3-0-0 16.Brightem Young 400 11.Aktterne 12 Wost lagter 340 il.Georgia 324 MUCLA 266 T.Momi.Fkg. 225

United Press International NEW YORK - The United Press International Board of Coaches Top 20 college feetball rattree, with first-place votes and records in

-Southern Cal (37) (3-0) 2 Peng St. (2) (2-0) 3. Texas (3-0) 4 Pittsburgh (2-0) 5 North Carofine (1) (3-0) (1-1) L'Oklahama (1-1) 7. Ohio St. (3-0) 8: Michigan (2-1) 17-10. Alobama (3-1) 11. Brighom Young (4-0) 12. Georgia (3-11 14. Clernson (3-0) 15. Microsi (Fig.) (2-1) 16. Arkonsos (2-0) 17, Missour! (3-0) 18 UCLA (2-1) 19. Nebrasia (1-2) 21 lows (2-1)

Transactions

BASKETBALL DENVER NUGGETS-Signed Billy McKin-56Y, Buard, to a mailti-year contract. Matienal Feetball League SAN DIEGO CHARGERS-Activoted John Woodcack, tockie. Watved Don Reese, defensive

Mational Mackey, League

COLORADO ROCKIES Sent Trever Johan sen, detensamon; Jock Vollagette, center, and Ron Detorme/ right wing, to the Fort Worth Texand of the Cantrol Hockey League. Sent John Gibb. detensement and Broat Klessig. left wing. to Plint and Musiceson of the International Hockby Lague, respectively. Released Dave Delich and Gary Dillon, centers; Rab Jones, right wing; Peter Sturgmen, left wing.

MEW YORK ILLANDERS-ASSIGNED KEVIN Devine, Bruce Andres, Nell Howrythe, Lorne Stonier, Shane Turner and Frank Begion, forwords; Sieve Slavonovich, Garin MacGulaan, Scott Howson and Grant Feberheim, centers; Randy Johnston, Tim Lackrides, Darcy Regier. Kelly Davis, Peter Steblyk and Mike Lobianco. defensement; and Rob Holland and Lorne Mai-

teken, southenders, to Indiandpolis of the Central WINNIPEG LETS Registioned John Borkwell and Jim Melan, detendament, to the Tuise Oliers of the Central Hockey League. Recusioned Ed Laylor, some, to the Fort Wavne Komeis of the International Hockey

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They said more money should be diverted from gate and television receipts into programs that directly benefit athleres.

Alexander said that he could onvision some hardship cases in which an athlete should be eligible for direct compensation, although when pressed he would not provide specifics.

Tom Hansen, assistant executive director for the NCAA, said the mended that they are entitled to organization had had no contact see same type of union protection with CARE regarding its program, and benefits as workers in orga
"I think some of their proposals mized labor, and should have the would bring a strong negative reacnght of collective bargaining to tion," he said when told of CARE's plans. "I think especially A spokesman for the National the idea of collective bargaining

> Hansen said that to his knowledge no other group has attempted to organize college athletes.

> Joe Paterno, head football coach and athletic director at Penn State. declined to speculate on possible effects of unionization, saying that the idea was new to him. He did add, 'Tve always said that if a kid got his education and was prepared for life, he got a good deal." John Elway, quarterback for Stanford, said that unionization "would totally wreck college foot-

There's no way that should ever happen because all the amateurism in the sport will have been lost," he said. "And what about ali the other [smaller] sports? How will they survive if the money from the major sports goes to players? Universities are already paying their way with scholarships. They would be foolish to make a move

Washington Post correspondents Tim Kelly and Gary Pomerant: contributed to this story.

like that."

NFL Standings

AMERICAN CONFERENCE

	most.
	W L T Pct, PF PA
Alkerni	4 0 0 1,000 97 55
Buttalo	2 2 0 _500 104 50
NY Jeta	1 3 0 -50 73 117
Boil tmar	7 3 9 .250 70 122
Nw Eng	0 4 0 .000 73 104
	Cestroi
Cocont	3 1 0 ,750 102 95
Pitsbr	2 2 0 ,500 196 98
Houstn	2 2 0 .500 53 72
Civind	2 2 0 500 65 87
•	West
San Dig	2 1 0 ,750 138 110
Knis Ch	3 1 0 .750 107 99
Deuvel	3 1 9 250 99 54
Oakind	2 2 0 500 63 45
Section	3 -3-0 . 250 58 - 77
MATIC	
MATIC	nal conference
	East
	W L T Pet. PF PA
Dalias	4 0 0 1.000 109 5×
Phide	4 0 0 1,000 93 40
NY Gnts	2 2 0 500 57 56
St. Louts	1 3 0 .250 74 100
White	0 4 0 ,000 60 119
	Cestral
Detroit	2 2 0 .500 87 71
Minnst	2 2 0 500 79 94
True By	2 2 0 _500 48 70
Gren By	1 3 0 .250 69 B5
Chicos	1 2 0 .rs0 61 B5
,	West
Aftenia	3 1 0 ,750 109 62
LE Angle	2 2 0 .500 96 80
Sn Fmc	2 2 0 500 83 29
NW OF	1 3 0 750 44 85
	Monday's Result
Los Angeles 24, C	DICO 0 0 /

Baltimore at Buffaia Chicoso et Minnesoto San Francisco et Washingto Dallas of St. Louis Green Bay at New York Glant Kansot City at New England Vitabureh of New Orleans Cincinnati at Houston Cleveland at Los Angeles Deriver at Oakland Detroit of Tompa Boy

New York Jets at Miami

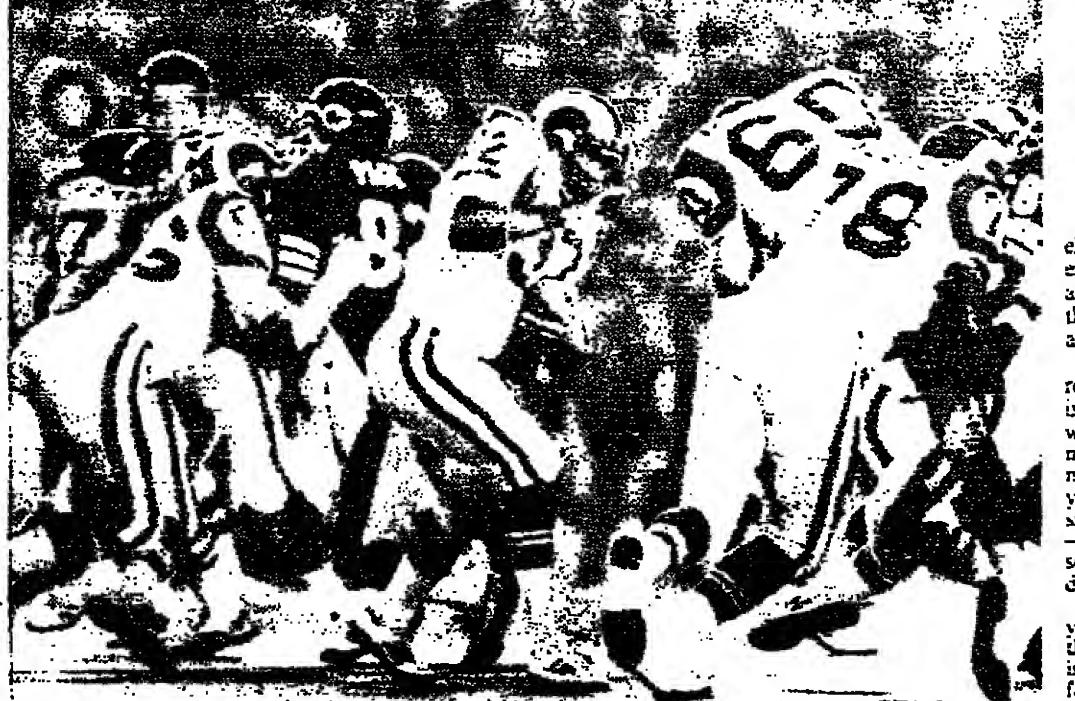
Atlants of Philodelphia

020 101 002-6 12 0 Honeyoutt, Comer (7), Mercer (8), Kern (8) nesoto, Engle (5). New York Cleveland

Wyneger, W-Leonard, 12-11. L-Havens, 3-6. HRS-Konsos City, Alkens (17), McRoe (7). Min-901 100 000-2 6 1 120 000 30x-6 12 Reuschel, LaRoche (2), Frazier (7) and Cerone: Brennon and Hassey. W-Brennon. 2-1. L-Reuschel, 4-3, HR-New York, Re-Jackson Baltimore 004 010 200-7 7 300 000 000-3 10 0 Polmer, Slewort (1) and Dempsey: Copputzelle, Lopez (3), Kinney (7), Réthschild (8) and Parrish W-Stewart, 47. L-Coppuzzello, 1-1. HRS—Ballimore, Ayolo (3), Murroy (20). 000 000 10x-1 5 0 Tommo and Gedmon: Yuckeyich and Simmons. W-Vuckovich, 14-4. L-Tonona, J-Iu. HR--Mitwoukea, Brouhard (2). 000 101 D40-6 7 7 & G-000 000 000 Witt and Ferguson; Lamp. Former (8), Hickey (9) and Fisk W-Witt, 7-9. L-Lamp, 7-6.



Duane Kuiper (left), the Indian second baseman, leaps out of the way of Reggie Jackson after forcing the Yankee runner at second base. Both watch the throw to first base arrive in time to catch Graig Netties. The Indians won Monday's game, 6-2.



Cullen Bryant of the Los Angeles Rams finds a hole as Doug Smith (56), Dennis Harrah (60) and Jackie Slater (78) help to block the opposing Chicago Bears. The Rams won the NFL game, 24-7.

Rams Find Defense, Defeat Bears

the Rams' first for a touchdown in 20 years — and a caught it at his own 45, breaking several tackies en revitalized defense combined to give Los Angeles a 24-7 victory over the Chicago Bears Monday night. Wendall Tyler added two touchdowns on short

runs to help the Rams improve their record to 2-2 and close within one game of Atlanta in the NFC West. Chicago fell to 1-3. The Rams yielded 73 points in their first three games, but completely stopped Chicago through the

first 31/2 quarters, recording six sacks and holding the

defending NFC rushing champion, Walter Payton, to

only 45 yards in 17 carries. Los Angeles also caused three turneovers, two by Payton. The Rams put the game out of reach in the third

quarter on Irvin's punt return. With the Rams lead-CHICAGO - Leroy Irvin's 55-yard punt return - ing. 10-0, Bob Parsons punted the ball and Irvin route to the touchdown at 9:46 of the third quarter. was the first punt return for a touchdown by a Ram since Dick Bass' 90-yarder against Green bay in 1961.

Tyler scored on a 2-yard touchdown to cap the Rams' opening drive of the game and added a 1-yarder midway through the final quarter. Frank Corral kicked a 24-yard field goal in the second period.

The Bears finally scored when Mike Phipps — the third quarterback used by the Bears in the game - hit Dave Williams on a 14-yard scoring pass with 7:38 left in the game. But the Rams had the game in control by then, relying on the running of Tyler and the passing of Pat Haden, who hit 13 of 29 passes for 210 yards, for their offense.

Porter's Double Helps Cardinals Beat Expos

run homer and scored twice as San

Francisco shut out Cincinnati. 4-0.

Hargesheimer (1-1) gave up four

From Agency Desparches ST. LOUIS - Darrell Porter doubled home two runs in a fiverun fourth inning, helping the St. Louis Cardinals beat the Montreal Expos, 6-2, Monday night. By winning the opener of a two-game series, the Cardinals cut the Expos' lead in the National League East to a half-game with six games to

Trailing, 1-0, in the fourth inning, the Cardinals rocked starter Scott Sanderson (9-7), who had retired the first nine batters, by sending 10 batters to the plate. Consecutive singles by Tom Herr, Garry Templeton and Keith Hernandez loaded the bases, and George Hendrick tied the score with a ground out. Dane lorg put the Cardinals ahead with a sacrifice fly, and Ken Oberkfell's single finished Sanderson. Porter doubled off Grant

Jackson. Giants 4, Reds 0 In Cincinnati. Al Hargesheimer

and Greg Minton pitched a four-

hits, struck out four and walked four in seven innings to snap the Reds' five-game winning streak. Astros 2, Padres 1 In Houston, Art Howe's bases-

loaded, checked-swing single scored Jose Cruz from third base with two out in the ninth to give Houston a 2-1 decision over San Diego. Tony Scott opened the inning with a single and was forced by Cruz. Alan Ashby walked on

BASEBALL ROUNDUP

four pitches and Cesar Cedeno walked. Howe then singled through the right side. Phillies 12, Mets 4

In Philadelphia, Lonnie Smith had three hits and scored three runs to help Philadelphia to a 12-4 triumph over New York. Smith. hitter, and Jerry Martin hit a two- the centerfielder who extended his

Monday's Baseball Line Scores

Fireva (9). W-Honevoutt, 11-5. L-Abbett. 4-8. HRs-Seattle, Meyer (3), 8ochie (4). NATIONAL LEAGUE 000 000 000-0 4 102 100 DOX-4 9 M.Griffin, Caudill (4), W.Hernandez (5). Tidraw (8) and Biockwell; Rhoden and Nicosla. W—Rhoden, 9-4, L— M.Griffin. 2-5, Second Game 020 010 000—3 4 000 001 000-T 5 0 Geisel, Martz (6) and Blackwell; Long. D. Robnson (5), Teksive (8) and T.Pena. W-Gelsel, 2-6. L-Long, 1-2. HR-Chicago, Henderson (5). 000 000 000-0 4 0 farpeshelmer, Minton (Si and May; Pastore Edelan (6), Price (8) and Nolan, W-Horgestielmer, 1-1. L-Postore. 4-8. HR-Son Froncisco, Je.Mortin (4). Los Angeles 000 pg0 20x-2 6 0 Reuss, Stewart (8) and Yeaser; Mahler, Camp (8) and Sinatro. W—Mahler, 7-6. L—Reuss 9-4.

New York

Philodolphia

L-Lynch, 45



HR—Los Angeles, Garvey (10).

Lynch, Leach (3), Beltano (4), Searage (4),

Rajones (6), Marshell (6), Horris (8) and

Stearns; Noies, Brusstar (5), Christenson (6)

and Mareland, B.Boone (7). W-Christenson, 4-6.

100 120 000- 4 11 3

005 223 00×-12 12 1

000 000 100-1 6 7

000 000 101-2 6 1

Dodger Fined, Suspended Unued Press International

ATLANTA - President Chub Feeney of the National League has fined Los Angeles outlielder Reggie Smith \$5,000 and suspended him for five days for entering the stands and fighting with a fan during a baseball game in San Francisco Friday night.

hitting streak to 17 eames, also robbed Mookie Wilson of an extra base hit with the bases loaded in the fourth.

Braves 2, Dodgers 1

In Atlanta, Rick Mahier and Rick Camp pitched a six-mitter against the slump-ridden Dodgers to give Atlanta a 2-1 victory over Los Angeles. The loss was the third in a row for the Dodgers. who got no hits Saturday off Houston's Nolan Ryan and just two Sunday off the Astros' Don

Pirates 4, Cubs 0 Cubs 3, Pirates 1

In Pirisburgh, Steve Henderson

drove in three runs to give Chicago a 3-1 victory and a doubleheader split with Pittsburgh. In the opener, Rick Rhoden pitched a fourhitter, and Bill Madlock had two RBIs to give the Pirates a 4-0 shut-

Brewers 1, Red Sox 0

In the American League, at Milwaukee, Mark Brouhard hit his second homer of the year in the seventh inning and Pete Vuckovich pitched a three-hitter as Milwaukee beat Boston, 1-0, and moved into first place in the American League East.

Orioles 7. Tigers 3

In Detroit, Eddie Murray's bomer and a double brought in four runs and Benny Ayaia's two-run homer also helped Baltimore to a 7-3 triumph over Detroit, dropping the Tigers from first place in the American League East.

Indians 6, Yankees 2

In Cleveland, rookie Tom Brennan pitched a six-hitter and Jorge Orta drove in three runs with a pair of singles to lead Cleveland to a 6-2 victory over New York. It was the first complete majorleague game for Breanan (2-1). Reggie Jackson hit a bases-empty home run for the Yankees in the fourth inning. It was his third homer in three days, his 15th of the season and the 425th of his career.

Royals 6, Twins 1

In Bloomington, Minn., Willie Aikens and Hal McRae each hit two-run homers to back Dennis Leonard's five-hit pitching as Kansas City defeated Minnesota, 6-1. increasing its lead over the Twins in the American League West to 31/2 games.

Angels 6, White Sox 0

In Chicago, Don Baylor and Brian Downing drove in two runs apiece, Rod Carew scored two runs and Mike Witt pitched a sixhitter as California sliut ou: Chicago, 6-0, and ended the White Sox's playoff hopes. Witt (7-9) had four strikeouts and walked one as he earned his first career shutout.

Rangers 6, Mariners 5

In Seattle, Rick Honeveurt won his 11th game and Mark Wagner hit a three-run double to give Texas a 6-5 victory over Seattle.

Teltscher Beats Teacher in Final

United Press International SAN FRANCISCO - Eliot Teltscher defeated Brian Teacher. 6-3. 7-6. Monday night to win the Transamerica Open lennis tourna-

"I guess everybody expected a McEnroe-Connors match," Teltscher said. "I hope they expect that again next year." Both John McEnroe and Jimmy Connors were eliminated in earlier rounds, setting the stage for this unlikely

Teltscher, seeded fifth and ranked ninth in the world, won \$32,000 while Teacher, seeded sixth and ranked 10th, carned

The Soccer Scene

In Australia, a New Beginning

By Rob Hughes

International Herald Tribune LONDON - Like everything else, our sport is ultimately govemed by the life cycle. It is cruel and kind; it sometimes hits us in the gut by overlapping new life and death.

In Australia, 16 teams that represent the elite of the soccer-playing youth of 99 nations start their world championship. A new beginning, one that can lead to sulfillment only if enough of those youngsters are bitten by the enthusiasm — the fanatical enthusiasm - that died with a very special soccer in the early hours of Tues-

Bill Shankly was known, far beyond his British roots, as a lover of the game. His achievement in raising Liverpoo! as a major European force was done with supreme, insular passion for one club. He saw nothing but his beloved Reds yet his affection became conta-

gious to millions beyond Anfield. He could use the media. He used them wittily and well, and unlike many in management today he was careful not to harm the game. A Scot from a harsh mining community. Shanks never forgot his gratitude for soccer having literaly lifted him from the pits. He stood four-square between the working man and the increasingly affluent players. He gave his all religiously.

Self-Styled Epitaph

"The king is dead" reads banner that appeared outside the bedroom of a Liverpudlian devotee within hours of the heart attack that claimed Shankly. But he had long ago written his own epitaph. When it was suggested soccer was life and death to him, he replied: "Nay, son. It's more important មោះ មាន "

On Wednesday night, Liverpool probably will make an easy first round defense of its European Cup against amateurs from Finland. His shadow will dwarf the event but, having been with him not a fortnight ago, I suspect that his spirit would recognize that a tournament for more significant to soccer's future is about to take place thousands of miles away in

For at 67, Shankly's eve to spot a young player, his thrill at the blossoming of a new talent, was unimpaired to the end. He would want to know, above all else, that there are youth from Argentina to Cameroon, from Korea to the United States who have the will and the flair to secure the future of "the greatest game in the world."

We are talking of the immediate future. The "FIFA World Youth Championship for the Coca-Cola Cup" as the organizers insist on calling it, is played among 18 and 19 year olds on the verge of manhood. If any among them compares to Diego Maradona, the genius who led Argentina to the 1979 championship, we would know him by now. For Maradona, and possibly Ramón Diaz and Juan Barbas of that youth team, was already a graduate to the senior World Cup next year.

Too Much to Expect

It is too much to expect the unveiling of such a talent down in Aussie. Maradona, like Pele and Cruvff and Di Stefano, is the jewel of a lifetime. Rather we should hope to see tomorrow's players compete with a will and flair that so many current internationals have had coached out of them, or have spurned for easy riches.

Somehow, the game has to recover the sheer love of playing that Bill Shankly epitomized. It was there in the attacking Argentine display in Japan two years ago. It was smothered in 1977 when Russia triumphed after a strategic competition. Now, however, the Soviet Union is building a fine, attacking senior side that includes Vladimir Bessonov, the best of that 1977 team.

And, perhpas as the price of switching to more entertaining policies, Russia has not even qualified for this year's tournament. Ironically, the United States has qualified, and the importance of its displays in Australia cannot be overstated.

The young Americans have, in a very real sense, the future of the game in their country at their feet. They represent some two millions now playing soccer in the United States, a number that grows in opposite proportion to the shrinking professional soccer league, the

Kisses, Hugs Bother FIFA

The Associated Press ZURICH — The Federation Internationale de Football Association, the international ruling body for soccer, has urged a ban on what it termed "the unmanly behavior" of players who "embrace, kiss and hug each other in an over-emotional fashion after scoring a

Rene Courte, publicist for the organization, asserted in the most recent edition of FIFA's monthly newsletter:

"We feel that the scorer should be congratulated by the team captain or the player who made the pass, but the exultant outbursts of several players at once jumping on top of each other, kissing and embracing is really excessive and inappropriare and should be banned.

NASL. After a soccer bowl that the Chicago Sting won drearly after both it and New York failed to score in regulation playing time (a manufactured result to a manufactured enterprise) the league had to announce that next season only it clubs instead of 21 could afford to

play in their set up. The NASL can claim for all it is worth that it has merely got rid of the dead wood, but its real failure to promote and assist the grass roots growth of U.S. soccer has always been painfully obvious. The hope, the only hope, of an American soccer future is with the nation's own youth and, while the team now in Australia is perhaps the first premature offspring ci that truly signals any international breakthrough.

For now, it may have to be enough that the U.S. achievement in reaching the final 15 rates with that of, say, Cameroon or Qatar. The second of those is an opponent in the U.S. group in Brisbane which also includes the well-organized Poles and the gifted Uru-

In another group, at Melbourne, Italy plays Brazil, Romania and South Korea. At Adelaide and Canberra, West Germany meets Spain, Egypt and Mexico, And at Sydney and Newcastle, Argentina defends its utie against England. Australia and Cameroon.

Club Before Country

At least the new Americans will have access to the best of their resources. Other countries, notable England, deny themselves that One English club even pulled a lad out of the tournament to keep him at home for a reserve team match next weekend. And others, including third-division clubs, simply insist that the youth put club before

They are made to look churlish and backward by the team that currently tops the English League. West Ham United, Wast Ham has a comparatively small first tears squad. Its winning start to the new season has been aided by midfielder Paul Alien who travelled to the Youth Championship this week as England captain. Both Ailen and his club manager recognize that his release could disrupt a winning club side, but both believe that it is an even more essential part of his education to play against the best

teen-agers in the world. They, in other words, look to the future. And that was the policy on which Bill Shankly built up one of the leading club sides in the world.

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IOC to Vote Today on 1988 Olympic Sites

From Agency Dispatches BADEN-BADEN. West Germa-

ny — The three candidate cities to sites. hos: the 1988 Winter Olympics made their cases to the Interna-Tuesday, and each emerged from the closed meeting with optimism. Later, Nagoya of Japan and the South Korean capital Seoul submitted to the same hour-long

ordeal to decide on the host for the 1988 Summer Olympics. The IOC was to discuss the merits of each city with the international sports federations, hold a four-hour debate Wednesday

termoon, elect by secret ballot the two cities to be awarded the 1988 Winter and Summer Games. Of the 82 IOC members, 78 were present at Tuesday's session. For Wednesday's vote, 81 members are expected, with only Tony

to travel to Baden-Baden, absent. Calgary Went First

Bridge of Jamaica, who was too ill

The Canadian city of Calgary was the first to make its presentation, with Richard Pound, a Canadian IOC member, introducing the bid. A 12-projector audio-visual show was then given, and Calgary Mayor Ralph Klein, University of Calgary dean Roger Jackson and Frank King, chairman of the Calgary Olympic Development Association, answered the IOC's ques-

Cortina d'Ampezzo followed, with the president of the Italian Olympic Committee, Franco Carraro, and Mayor Cesare Lacedelli of Cortina making the case for the Italian city, which held the Winter Olympics for the first time in 1956. Sweden, provided Prince Bertil

Both Cortina and Falun showed films of their prospective Olympic

As they came out of the IOC session hall, the rivals all said their tional Olympic Committee here presentations had been well received, that questions put by the IOC and the sports federations had been pertinent, and that their replies had been accepted.

All Well Received "They were the kind of questions which could come out after having made a detailed study our answers allayed any fears the IOC may have had," said the Calmorning, and then, Wednesday afgary delegation president, Robert Niven. The other two delegations

echoed his opinion. All three cities had months ago submitted replies to a detailed questionnaire compiled by the IOC and the sports federations about the facilities they plan.

Supplementary technical questions Tuesday were few, according to the IOC director, Monique Berlioux. But Cortina and Falun were subjected to one line of questioning that concentrated on the shower and changing facilities at their proposed sites instead of on more general matters.

Calgary was queried about the cost of holding the Olympics in North America. As the 1988 Summer Games are bound to go to an Asian country, the IOC was worried about the Winter Olympics heavily dominated by European competitors — also incurring large transportation costs to the host

Sweden's Problem

Not since 1932 have both Winter and Summer Olympics been The third candidate. Falun in held outside Europe. But Niven said that the Calgary delegation and Sigge Bergman to lead its case. explained how a proposed \$30-mil-

Ainge Declares He'll Leave Baseball Regardless of Verdict on His Contract

The Associated Press NEW YORK - Danny Ainge savs he will retire from baseball regardless of the outcome of the court battle over his contract be- 5 All-American guard at Brigham tween the Toronto Blue Jays baseball team and the Boston Celtics of the National Basketball Associa-

back there [Toronto]." Ainge said Monday in Judge Lee P. Gagliardi's courtroom at the U.S. District Court. "I don't plan on returning to Toronto no matter the outcome. Toronto thinks if it wins the case I'll go home, change my mind and come back to spring training. But the way I feel now, I'm through

six-member jury rules in favor of Celuics, he said: "I have businesses in Litah and I've been offered an assistant coaching job at Brigham

with baseball."

at golf so maybe I can go on the pro golf tour. I have a lot of alter-

The 22-year-old Ainge, a 6-foot-Young, signed a three-year contract with the Blue Javs last year calling for an average salary of \$75,000 a year. But the key to the "I have no intention of going contract, according to the Blue Jay president. Peter Bavasi, was a \$300,000 payment to Ainge that restricted him from playing pro basketball. Testimony is scheduled to begin Wednesday.

before the Blue Jays left on a West Coast road trip. Ainge made the trip, did not play in any of the Asked what he would do if the three games against the California Angels, and arrived in New York the Blue Jays, meaning that Ainge at 6 a.m. Monday. The Blue Jays cannot play basketball with the filed suit charging the Celtics with contract interference. Boston is claiming that the addendum to Ainge's contract is not binding and Young University. I'm pretty good that he was coerced into signing it.

Ainge filed voluntary retirement

papers with Bayasi last Thursday

lion Olympic Development Fund would provide the means of subsidizing competitors travel expenses

to Canada. The IOC asked Coming about television broadcast facilities and coverage. "But we were prepared for all the questions put to us. and our answers seemed to satisfy the

IOC." Lacedelli said. Falun's main problem is that it proposes to hold the alpine skiing events at Are, six hours drive or one hour by plane from Falun in the frozen north of Sweden. "Yes. we were asked closely about that, but we had come well prepared on the point, and we believe the IOC

was sympathetic." a Falun delegation member said. The Swedish city, bidding to become the first nordic venue for the winter Olympics since Oslo in 1952, emerged from its meeting with the IOC rejecting suggestions that it was still the outsider among the candidates. Even its rivals admit privately that if Falun had a mountain on which to stage the alpine skiing, the Swedes would win

the vote overwhelmingly. Promises to Media

All three Winter Games candidates have promised free press. radio and television facilites. Berlioux said after the morning's presentations. The organizers of the 1980 Lake Placid Winter Olympics are still wrangling with news organizations and the IOC over payment for offices and other facilities

used at their Games. Delegations from Nagoya and Seoul each spent a long session with the IOC, also answering questions about their plans for the

"As Japan's political situation is quite stable, if we are awarded the Games we will surely be able to carry them out quite successfully." Shigemitsu Miyake, executive director of the Nagoya '88 Olympic Council, said in his address to the

The political situation in South Korea has worried IOC members. but Sang Ho Cho, president of the Korean Olympic Committee, said nothing about politics in his presentation, instead he talked about his country's 10-percent growth

rate during the last decade.

Nagoya reported that 21 of the 31 sports venues needed for the Games already exist. It promised an Olympic Village for 12,000 pecple in the city area, with all the sports facilities within a radius of 40 kilometers.

Seoul reported that 60 percent of its construction is completed and that the main stadium. planned to hold 100,000 people, is

One of the arguments against Nagoya is that Japan held the Summer Games at Tokyo in 1964 and the Winter Games in Supporo in 1972. Korea has never held the Games and would be the first developing country to do 50.

half built

Construction Under Way

Pasty-Faced Customer

By Russell Baker

TEW YORK — Actually, this is meant only for the manufacturers of a new brand of shaving cream, whose company name I shall omit, since I wish them well and want simply to give them some news which may help their business. You will know who you that are, gentlemen, when I say that

your product goes on the face like a slightly too thick coating of floor wax.

There is nothing wrong with this. I should say at once. After being agitated lightly by fingers. the wax-like liquid quickly turns

Baker white and strongly resembles an application of conventional shaving soap. What's more, it leads to a satisfactory shave.

On balance gentlemen, I judge it not a bad shaving cream, though I place no great value on my opinion of shaving creams. As with beer, cigarettes and California jug wines, so with shaving cream in my book. I tend to find one as good as another and, in a blind testing, would probably conclude they were all the same.

With this new brand, however, I noticed halfway through the shave that there was something reminiscent of the schoolhouse under my nose. This odor, which definitely came off the shaving cream, was quite pleasant and filled me with memories. Before I had finished up at the left sideburn I had fallen into a reverie of long-gone schooldays and might, like Marcel Proust in the power of the tea-soaked madeleine, have daydreamed seven volumes about the vanished past if someone hadn't angrily asked if I intended to stay in the bathroom all day.

Unable to identify it myself, went to the kitchen and placed my jaw against my wife's cheek. "What do I smell like?" I asked.

* * *

"Paste," she said. "You smell like those jars of paste they used to give me in kindergarten for cut-

Of course! I recognized it, too, as soon as she said the word. Now, I am writing to the manufacturers only to be helpful. In that spirit, gentlemen, I suggest that you are on the wrong track in mar-

keting the smell of paste. In my observation of shaving cream advertising women want a freshly shorn jaw to smell like menthol, lime, lemon, cloves or pineapple. For this reason, I very much doubt that your product will succeed with its present aroma. My doubts are re-enforced by my wife's reaction to my own jaw's pasty aroma. She first recoiled and then suggested I wash my face.

To be fair, let me add that I am hardly your average consumer. In fact, it may be that my dislike for smelling like paste is a guarantee that you have the hottest product to hit the shaving market since the

safety razor. In many U.S. enterprises, my disapproval is eagerly sought as evidence that entrepreneurs have a success on their hands. When pronounce a new TV series absolutely rotten it usually goes to the top of the ratings. If I try a new fast food and de-

cide it is tasteless junk, a year later it will be selling 50,000 orders a day at every one of 200,000 carryout shops. What I am trying to convey is a

sense of my own shyness about mentioning this to you. I am fully aware that my not liking the smell of paste may very well mean that 50 million American shaving men are dying to smell like kindergar-

* * * It occurred to me, however, that the paste smell may have crept by accident rather than design into the product, and if so it seemed only decent to tell you it's there. Things like this happen all the time in industry, as we all know from the tales of Pentagon cost overruns. Possibly on the day the chemist in charge of smells did his work on the new shaving cream, his nose was stopped up. Everybody gets a cold now and then.

Anyhow, in case you didn't intend it to smell of paste I am writing to let you know it does. If the paste was deliberate, you'll be delighted to hear I disapprove, since it probably means you have hit the jackpot with the paste pol New York Times Service

Thomas Hoving Tales of How the Metropolitan Museum Acquired Some of Its Treasures Create Stir

By Grace Glueck New York Times Service

NEW YORK — The clandes-tine removal of a stone relief from Italy for acquisition by the Metropolitan Museum of Art, and a break-in into a glass case at Florence's Bargello museum to examine an ivory plaque, are disclosed in a book by Thomas Hoving, former director of the

"King of the Confessors" is generating controversy in the museum world even before its official publication. It deals with Hoving's pursuit of the 12th-century ivory known as the Bury St. Edmunds Cross, acquired by the museum for \$600,000 in 1963 and now one of the treasures of the Cloisters, the Met's medieval branch. The title comes from a legend on the cross.

The focus of the book is the chase after the elaborately carved ivory cross, tentatively attributed to Master Hugo, a lay artist at the English monastery of Bury St. Edmunds. In recounting it, Hoving tells of his filial relationship with the late James Rorimer. then the Met's director, and describes a series of cat-and-mouse dealings with Ante Topic Mimara, the mercurial Yugoslav collector who owned the cross. The book is scheduled to be published Oct. 26 by Simon & Schuster.

Some museum professionals are disturbed by Hoving's description of the removal from Italy to New York of a Romanesque stone relief in the early 1960s. The relief, depicting the Annunciation, had been taken from a Florentine church and stored in a garage on the outskirts of Genoa, where a dealer had it for sale. When Hoving asked the dealer how the work could be removed from Italy, he said he was told that its shipment 10 Switzerland could be ar-

Hoving writes: "Is that difficult?' I asked him, not really wanting to know, realizing I was being drawn into a conspiracy to smuggle." He said the dealer described his favorite method of conveying such works out of the country - by concealing them under mattresses in a small station wagon and driving from Venice to the border. He always



Thomas Hoving in Metropolitan Museum days.

took a small child along, Hoving, writes, and bought the child an ice-cream cone on the way. "By the time I have reached

the crowded border and the smartly dressed, white-gloved and harried customs officers, the child has smeared the gelato all over his face," Hoving quotes the dealer as saying. "The customs man always recoils in horror and orders me to drive through."

Hoving tells how, before he and Rorimer went to view the relief at the garage, he asked his senior, "Jim, what do you really feel about being involved with a work of art that, if we like it, will obviously have to be removed from Italy and taken to America?" He writes of Rorimer's response: "I would never have anything to do with such an unconscionable act,' he said pious-

Word Substituted

At the request of Phillipe de Montebello, current director of the Met, the word "removed" in the first sentence was substituted for the word "smuggled."

Shortly after Hoving viewed the work. "it arrived in Geneva. addressed to a convenient name' supplied by the dealer. "Two weeks after that, it was in the storeroom of the Cloisters." Recalling the experience, Hoving

"I was struck by an unexpected feeling of remorse. What right had I to rip away from Italy a work of art which had been created within the very bosom of the

In pre-publication proofs, the second sentence read, "What right had I to rip away from Italy, clandestinely and illicitly, a work of art which had been created within the very bosom of the land?" The phrase was deleted at the request of de Montebello.

By "clandestinely and illicitly," Hoving said in an interview, "I meant secretly and not in the normal course of things. Those were the great days of piracy in the museum business. They no longer exist, but they did exist. They stopped in the early 1970s, with the Unesco draft treaty." That treaty of the UN Educational, Scientific and Cultural

Organization, aimed at curbing the flow of stolen and smuggled art, was signed in 1972 by President Richard M. Nixon, but implementing legislation has never been passed by Congress. As for his breaking into the

case at the Bargello in Florence to examine an ivory plaque he thought was related to the Bury St. Edmunds cross, Hoving writes that he did not have time to obtain official permission for opening the case. So, in the absence of a guard, he checked the case for alarm mechanisms, then, with his Swiss Army knife, unscrewed the glass top and lifted out the plaque, according to the

"The Unthinkable"

"For an instant I thought the unthinkable," he writes. "Then smiled to myself and replaced the piece, the glass top and the SCIEWS.

Some of Hoving's former trustees and colleagues at the Met feel that his "confessions" are a little too revelatory. Roland Redmond, president of the museum at the time about which Hoving writes, said:

"My general reaction to the book is that it's disgraceful. The fact that he broke into another museum's case is shocking, but it's even more shocking that he comes out with it."

But not all of Hoving's colleagues take "King of the Confessors" with the same gravity. "It's too dull to be a novel and too frivolous for a serious book," said Carmen Gomez-Moreno, a curator of medieval art at the Met who accompanied Hoving on his initial trip to view the ivory cross in Zurich.

Although he had asked for what he termed "several minor changes" in the text of the book, including the ones mentioned above, de Montebello said he enjoyed reading "Confessors." He added, "It has the suspense of a mystery novel." Other museum professionals have also responded enthusiastically to the book.

Asked about breaking into the glass case at the Bargello, Hoving said: "I got into it, although not necessarily in the way described in the book. I owe them that, so a lot of people won't go there and pick at the screws."

PEOPLE: Plane Seized in India. Rock Star Numan Say.

British rock star Gary Numan came home to his tearful mother aboard a commercial airliner after allegedly being detained in Indiawhile piloting his Cessna on a round-the-world flight. Numan, a 23-year-old millionaire, said at London's Heathrow airport that he and his co-pilot, Bobby Thomson, were detained at gunpoint by Indian soldiers after making an emergency landing at Visak apatnam on the Bay of Bengal coast last week. "They wouldn't ell us why we were being held," Numan said. "When I tried to get aboard the plane, which was impounded, a guard pointed a rifle at me said, "No further." Numan added: "I

There was no accusation of tying or smuggling, but Bobby and were kept under guard We couldn't leave our hotel. They refused to stamp our passport and wouldn't let us take cine-caperas and tape recorders off the plane." Numan said he plans to resume his round-the-world trip, hoping to visit 50 cities in 20 countries in 44 days. His mother, Beryl Webb, said: "I'm going to plead with him

not to go on with it. These surt of

still don't know what it's all bout.

heroics are for other people. Black South African playinght Selacio Maredi says black American entertainers who perform in South Africa are doing their face a disservice. "Millie Jacksons Ray Charles, Johnny Mathis — they are just confusing the issue by coming to South Africa," Maredi said "Do they value the money more than they do their souls?" He also said people should not be looled because there are blacks on the touring Springboks rugby Iteam.

"The rugery team is white al white, and has been since I've been watching it as a child," Maredi said. The government does not allow whites and blacks to play together on the Springbok team at home." Maredi was in Milwankee with a South African theater troupe, which performed his play "For Better or For Worse."

Belgian King Bandonin's uncle, Prince Charles, Count of Flanders, who was Belgium's acting monarch from 1944 to 1950, is broke, says Laura Meursing, his former secretary. A bachelor, Prince Charles, who turns 78 on Oct. 10, has lived for years as a recluse on a domain in the dunes near Ostend. He lives mainly by selling his paintings and auctioning personal items, having refused an annual government stipend of \$100,000. He reigned as

Belgium's regent in place brother, King Leopold III, w surrendered to Germany and whose return from S land was blocked by questy home about his role during * * *

The first \$60,000 Unesco for Education for Peace awarded jointly to Firmish tor Heleas Kekkonen an World Scout Movement Thus the UN Educational, Sci and Cultural Organization nounced in Paris. The pa funded by the Japan Shipba Industry. Foundation. A U statement said Helena Kel had been involved for 20 ya education for peace. She was instead by the International cil for Adult Education of

The mother of teen-age Brooke Shields has gone to in New York to try to sa nude photos of her daughter 10. A lawyer for the photog argued that publication of tures can't harm the 16-1 star, whom he called "the I her generation." The ph pher, Gary Gross, said the mother, Teri Shields, conse the pictures. Justice Nathand man granted a temporary n ing order against any sale pictures. But he said he Mrs. Shields to explain signed two releases at the Gross took the pictures. Gro he made the photos in 1971 Playboy Press book emitled ar and Spice."

The Pittsburgh Symphon signed conductor Andre Pr a new two-year contract through the 1983-84 conce son. The terms were not dis but a symphony official sai port that Previn was received million was grossly exage Previn, 52, has directed th burgh Symphony since 197

Harry Jackson, a leading ern artist specializing in bru Indian and cowboy life, h commissioned to create a high (6.4-meter) bronze s John Wayne in Los Angel son, who was a friend of and whose bronzes the la collected, was chosen Wayne family and a patri was not identified, to do ne: It was not revealed to Los Angeles the statue will

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